THE MOUNT COOK GROUP: A CASH FLOW ANALYSIS AND BUSINESS HISTORY

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Karen T. Lewis

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Abstract

Business performance is frequently evaluated from reported data in published annual reports. This thesis uses a new cash flow-based analytical tool to derive an additional performance measure of a company, the Mount Cook Group. This analysis is compared with a traditional ratio-based analysis to test if the cash flow-based tool has provided any new information. The time period examined is 1930 to 1990, covering sixty years of significant changes, both within the organisation and externally. The changing environment helps to test the cash flow model in different circumstances.

The quantitative analyses provided by the traditional ratios and the cash flow model are supported by an historical analysis which draws on documentary sources, and interviews conducted with past employees, and with members of the founder's family. Understanding financial performance requires an appreciation of the qualitative factors influencing the organisation. The success of the Mount Cook Group was attributable to the founder, and his son, who became the managing director, following the founder's death. The study therefore includes an examination of the influence of these people, and their entrepreneurship.

There is a need to balance financial information with non-financial information, both from within the organisation and externally, from other influences, such as factors influencing the economic environment in which the organisation operates. The backward-looking perspective of accounting information puts accountants in a poor position to offer their skills as business experts, and this case study illustrates the importance of forward-looking entrepreneurial views.

Introduction

Tourism and transport play an important role in New Zealand's economy. This thesis will examine the business history of the Mount Cook Group, a pioneering company that operated in both of these sectors. The Mount Cook Group began in 1912 as a local transport operator in South Canterbury, and grew over the following 78 years to become a major transport and tourism operator nationwide.

This thesis will apply a new cash flow model to the Mount Cook Group's annual reports to elicit new information about its financial performance. The cash flow analysis will be contrasted with a more traditional ratio-based analysis. The financial analyses will be supported by an historical analysis provided by both documentary evidence and oral evidence.

Entrepreneurship became a theme in this thesis as the result of evidence of entrepreneurial behaviour by the first and second managing directors, Rodolph Wigley (RLW) and Harry (later Sir Henry) Wigley (HRW). Academic literature on entrepreneurship is expanding in a variety of disciplines, and this research adds an accounting perspective to the discussion.

The historical analysis draws attention to the role of accountants in this business history. The accounting profession is seeking to transform its image from traditional bean counters to forward-looking business experts,[1] highlighting the relevance of accountants in the strategic direction of organisations. For this reason, the role of the accountants on the board of directors is examined.

The research is presented in twelve chapters. Literature pertinent to this thesis is reviewed in the first chapter, drawing on several disciplines. Business history is briefly examined, before the cash flow literature is reviewed. The historical analysis identifies entrepreneurship as an important theme, and the literature in this field is reviewed. An overview of the tourism sector follows.

Chapter two explains the research methodology which supports this thesis. The thesis is interdisciplinary and the methodology reflects this by drawing on several disciplines. The research questions are presented and an explanation of the sources used is provided.

The third chapter provides a brief summary of the Mount Cook Group from 1930 to 1990, which is the period that this thesis covers. Financial data were not available for the earlier years of the company's life, so the analysis begins with the first extant report of 1930.

Chapters four to ten each address a distinctive time period between 1930 and 1990. The time periods have been determined using the operating cash flow after interest and dividends (OCFAID) model and the chapter covers three analyses for each period. First, a traditional analysis gives an account based on the annual report that uses simple ratios and observations that an observer of the time is likely to have used. The second analysis utilises the OCFAID model, which provides a new dimension to the interpretation of the annual reports. The cash flow information often provides an insight not apparent from the traditional analysis. The third analysis adds the historical dimension to the thesis. It reviews other relevant materials as outlined in chapter four, and the historical explanation of the company's performance. This third analysis also addresses the economic environment, and the competition that the company faced. The role of government was an important feature throughout the company's life and is also addressed in this section.

Chapter eleven discusses the issues that the preceding chapters raise. It shows the different contributions that the three analyses have made, and addresses the research questions outlined in chapter two. Limitations and further research for each of the three analyses are addressed in this chapter. This single case study has the limitations that usually appear in this type of study, and the cash flow has raised some questions relevant to derived information. Further research opportunities exist for replication of this analysis with other companies in the same sectors, or in other times and places.

Conclusions are explained in chapter twelve which highlights the benefits that have been attained in using both financial and historical analyses. Conclusions relevant to the accounting profession raise questions about the retrospective outlook that accountants bring to business analysis and business operations, and the danger of operating without a vision of the future.

[1] Fogarty, 2001.

Chapter 1

Literature Review

Research relevant to this thesis arises from a number of different fields. It encompasses the discipline of business history, which can be viewed as a sub-discipline of either economics or of history. The accounting research literature relevant to this research is cash flow literature. Developments in the course of this research required consideration of the literature pertaining to entrepreneurship. The Mount Cook Group was active throughout its life in the tourism sector, so an overview of the sector is provided to explain the sector in which the group operated. Each field of literature is addressed in turn.

1.1 Business History

Business histories are seldom recorded, despite the contribution that businesses make to the shaping of society.[1] New Zealand is lacking a body of well-written histories in several industries, and this absence is a hindrance to understanding the practical effects of economic policies as they affect households and firms.[2] Studies of individual firms could be combined to give a thorough understanding of industries or of periods in time, similar to the work of Chandler in *The Visible Hand.* Chandler's work falls into the sub-discipline of economic history.

There has been little written on the financial performance of individual companies in New Zealand. Two accounts of Mt Cook Group's development have been written by Sir Henry Wigley, a director of the company, and son of its founder, Rodolph Lysaght Wigley (RLW). These relate the human side of the company, but provide little of substance as an analysis of its commercial operation. Ville's (1992) review article of New Zealand business histories was harshly critical of the majority of existing business histories, as they are seldom impartial, or academically justified. This thesis will complement Wigley's work by being both impartial and focused on the business operations.

Wilson wrote:

> The main aim of business history is to study and explain the behaviour of the firm over long periods of time and to place the conclusions in a broader framework composed of the markets and institutions in which that behaviour occurs.[3]

This thesis achieves placement in a broader framework by applying the cash flow model, and developing the information the model reveals with aspects of entrepreneurship and the economic environment. Consequently, literature relevant to cash flows is examined below.

1.2 Cash Flows

Cash flow information has been required under New Zealand's accounting standards FRS-10 and SSAP-10 since 1 January 1988. Overseas research has found that cash flow reports are not widely read by report users, suggesting that better education of report users is needed.[4] The situation is likely to be similar in New Zealand, demonstrated by the scarcity of literature on cash flow information usage.

Literature on cash flow has been confounded by different definitions of operating cash flow. New Zealand's FRS-10 defined cash flow, but has not defined operating cash flow other than implying that it arises from "all transactions and events that are not investing or financing activities".[5] It distinguished three types of cash flow activities, defining investing and financing activities, with the residual balance being the result of operating activities. In the United States, the Financial Accounting Standards Board (FASB) has been more explicit in showing how the operating cash flow can be calculated from the net income (SFAS no.95, para.28). While this approach shows the preferred method for calculating operating cash flow when the direct method cannot be used, a number of proxies such as net income before depreciation have been used and their resemblance to the operating cash flow has been specious at times. The literature has therefore spent a considerable amount of time and effort arguing at cross-purposes, while using incompatible definitions. Many articles fail to define or explain their calculation of cash flow, further confusing the issue.[6]

Early cash flow literature used net income plus depreciation as a proxy for cash flow from operations. Largay and Stickney[7] showed this measure to be a poor indicator of operating cash flow. It was in fact a measure of working capital from operations. Their longitudinal case study of W.T. Grant, an American retail store chain, demonstrated the superiority of properly defined cash flow data to predict bankruptcy earlier than ratios involving working capital.

Acceptance of the usefulness of cash flow data is not universal. Casey and Bartczak advise caution in adopting operating cash flow as "*the* barometer for gauging company performance"[8] (italics in original). They compared the predictive performance of three cash flow ratios, using COMPUSTAT data: operating cash flow (OCF), OCF/current liabilities and OCF/total liabilities, with six accrual-based measures which were not stated, but may have been shown in an accompanying illustration: net income/total assets, cash/total assets, current assets/current liabilities, net sales/current assets, current assets/total assets and total liabilities/owners' equity. They found that the accrual-based measures predicted success or failure more accurately. This is a biased study, as six well chosen ratios would be expected to outperform three alternative ratios. Casey and Bartczak would have produced a more robust study had they compared the same number of accrual-based ratios as cash flow ratios. Of more significance, however, was their finding that the operating cash flow had no marginal value when combined with accrual-based ratios. The poor performance of cash flow information was attributed to the incidence of healthy entities reporting poor operating cash flow, leading to classification as financially distressed when in fact they were not. This could have an adverse effect on investment decisions. However, this difficulty can be overcome to some extent by accumulating the data over a number of years. A low or negative operating cash flow in a single period will quickly be compensated for if the entity is financially well, while a consistently poor performer will also become more readily apparent.

Further research by Casey and Bartczak[9] reaffirmed their earlier findings that operating cash flow provided no incremental predictive power in assessing financial distress. An acknowledged limitation to their study was the selection of the six accrual-based ratios, and the lack of use of non-financial information. This thesis addresses the non-financial information via the historical analysis that supplements the cash flow analysis.

Aziz and Lawson's[10] study, which used COMPUSTAT data, confirmed the findings of Casey and Bartczak that cash flow information did not improve existing models. Their research covered 1973-1985, which was prior to the release of SFAS no.95, so the reported cash flow information should be treated with some caution. Their addition to the literature was a finding that cash flow models tend to over-predict bankruptcies, but for the conservative investor cash flow models may be preferred for this very reason.

In contrast, Gombola and Ketz,[11] also using COMPUSTAT data from 1971 onwards but adjusting for changes in current assets and current debt to show actual cash flow, assert that cash flow from operations may contain information not found in profitability ratios, although they do not identify what this information may be. This aligns with demand for the reports,[12] while evidence shows that users are unsure of how to utilise the information. Gombola and Ketz also recognised the weakness of some "cash flow" measures in use, and adjusted their data accordingly for all accruals and deferrals to calculate the actual cash flow.

Criticism made by Singleton-Green[13] of cash flow information, which he based on net profit with adjustments for changes in working capital and "other differences between cash flows and operating profits," the largest of which he identified as depreciation, asserted that "net cash flow from operations was not a reliable indicator of financial performance." These comments were based on an analysis of several companies, comparing their net profit with their net operating cash flow for a single year. In response, Lee[14] raised concern about measuring performance in a single year, when a business operates on a cyclical basis. Singleton-Green highlighted that the cash flow figures, as with other figures in financial statements, need to be interpreted carefully. Fundamentally unsound statements will not be able to yield useful information. This highlights the possibilities of manipulating cash flow data. Lee reiterated Singleton-Green's concerns on success/failure prediction based on a single indicator, and emphasised the different conceptual bases to profit and cash flow: "The ultimate bottom line in business is not profit: it is the ability to earn a profit on a transaction and realise it in cash terms, and to do this repeatedly."[15] The discussion between these two authors is important, in that it illustrates some of the misunderstandings that surround cash flow information.

Requirements to report cash flows suggest a need for this information has been identified even if the tools to use this information are yet to be developed. New ratios have been developed by Giacomino and Mielke[16] using data from US published reports, therefore presumably in compliance with SFAS no.95, and others to enable the information thus presented to be utilised. They suggest a number of ratios that show sufficiency of cash to meet the entity's needs and efficiency of cash generation.

A large number of short single case studies using cash flow data have been written by Lee, a prolific authority on cash flow information. He strongly advocates the adoption of cash flow reporting, and suggested the accumulation of several years to overcome the "lumpiness"[17] of cash flows. Particularly relevant to the present research was a case study of an English airline, Laker Airways Ltd, that went bankrupt in the early 1980s. Although Lee did not define cash flow in this article, he used a calculation that derived cash flows that corresponded with SFAS calculation and demonstrated that in a table. The cash flow analysis indicates difficulties in 1979, while the company continued to raise external borrowing until its failure in 1980.

British Airways has also been subjected to a cash flow analysis. Arnold and Wearing[18] showed how British Airways had manipulated its results by writing down assets and recognising severance costs prior to their payment. This led to a poor result in 1982 and improved reported results in subsequent years at a time when the government was contemplating privatisation. Arnold and Wearing's alternative accounting treatment, which combined cash flow information with exit prices, gave more moderate results as allocations between periods did not occur under their technique.

British Airways' position differs somewhat from the Mount Cook Group (MCG) for three important reasons. First, British Airways operated solely as an airline, whereas MCG had several transport and tourism activities under its control. Secondly, British Airways was owned by the British government, which eliminated many of the challenges that MCG faced in its dealings with the New Zealand government. As a nationalised industry, British Airways had objectives other than profit maximisation,[19] in the same manner as New Zealand's National Airways Corporation. Lee and Stark[20] also looked at the performance of some British nationalised industries, and extracted new information from the published annual reports by deriving their cash flows. The third important difference was the very different geographic location in which the MCG operated. New Zealand is more sparsely populated than the UK, and therefore offered the MCG a smaller pool of travellers (even after recognising the number of international visitors that used the group). The smaller population was also reflected in a less highly developed institutional society, thus generating less business traffic. New Zealand is also geographically isolated from other countries to a much greater extent than the UK, so diversity in the MCG's operations would have been more important for its survival than for British Airways.

Cash flow is often criticised as a less sophisticated measure of performance than profit, but its advantage lies in its greater robustness against manipulation. Lee considered cash flow analysis as "complementary to rather than an alternative to conventional analysis."[21] This complementary approach has been adopted in this thesis. Cash flow's lack of sophistication is somewhat ameliorated by the accumulation of cash flow data over time, rather than examining individual years in isolation.

1.2.1 A New Cash Flow Tool: OCFAID

Operating Cash Flow after Interest and Dividends (OCFAID) has been developed as a tool to measure changes in a company's liquidity arising from operations and thus as an attention directing technique for impending distress.[22] It is graphed in conjunction with retained earnings and thus presents visually patterns of liquidity and profitability arising from operations. A cumulative basis is used to graph the OCFAID and retained earnings. Lee[23] has also used accumulated cash flow data to overcome the inherent problems of periodicity. This approach has two major benefits. First, the accumulation of several years' data defeats attempts that may have been made to manipulate the data to give a good impression in any single year. Adjustments to show cash inflows a year early or outflows a year later will quickly be cancelled out by the accumulation process. Secondly, this overcomes the inherent problems of allocation and valuation, especially as the reporting periods become shorter than the operating cycle. As early as 1924, Hatfield acknowledged the "impossibility"[24] of apportioning costs of operating an economic continuum to a single year. OCFAID's role is valuable in this study as cash flow data was not reported explicitly in the Mt Cook Group's annual reports prior to 1989. As this cash flow information will have been derived using the indirect method, it is unlikely that the data has been manipulated to present a favourable view.

Robb and Lewis[25] provided the following table (Table 1.1) to illustrate the derivation of OCFAID.

Table 1.1: Indirect Derivation of Net Operating Cash Flow and OCFAID (hypothetical figures)

	Year 1	Comments
Net Profit after tax and extraordinary items	$1,000	If any interest has been capitalised it should be deducted from the reported Net Profit.
1. **Add back non-cash expenses**: e.g. depreciation, goodwill written off.	+750	Deduct any upward revaluations included in the calculation of profit or any transfers of profits from reserves. They are rare.
	1,750	
2. **Add** decrease in debtors *or* **Deduct** increase in debtors	+50	Exclude any balances owing from the sale of fixed assets. These are rare also. Any tax refunds owing can be included with trade debtors.
	1,700	
3. **Add** decrease in inventory *or* **Deduct** increase in inventory	-100	
	1,600	
4. **Add** increase in creditors *or* **Deduct** decrease in creditors	+250	Exclude any balances owing for the purchase of fixed assets. Tax owing can be included with trade creditors.
= Net Cash Flow from Operations (after interest and tax).	1,850	This is the figure which would be shown in a Statement of Cash Flows, if presented.
5. **Deduct** dividends paid	2,500	This comprises (Dividends Declared for the period *less* Proposed Dividends at the end of the period *plus* Proposed Dividends at the start of the period)
= Operating Cash Flow after Interest and Dividends OCFAID	(650)	

Source: Robb and Lewis, 2002.

The calculation reverses the effects of accrual accounting to show the flow of cash. This cash flow is then accumulated over the period under examination to ensure that any manipulations of the cash flow, such as delays in paying an account or early recognition of earnings, have little effect on the overall view that is presented. The retained earnings are graphed over the same period and relate only to that period, i.e. they begin with a zero balance and accumulate over the same period.

Robb's[26] analysis adapted the terminology developed by the Boston Consulting Group,[27] postulating four main scenarios: a star performer, a problem child, a cash cow and a dog. A star performer had positive OCFAID and retained earnings while a problem child had positive retained earnings with negative OCFAID. A cash cow could generate positive OCFAID, but failed to retain these as shown by a negative retained earnings. A dog had both negative OCFAID and negative retained earnings. A fifth scenario provided a transitional state, where neither OCFAID nor retained earnings show any clear direction, but are possibly changing direction from an earlier trajectory.

Appendix 1 contains the worksheets for each year that this thesis covered. The mechanics of this process are examined in more detail in Chapter 2.

The OCFAID model has been extended in this thesis to examine both investing and financing cash flow in addition to the operating cash flow. Livnat and Zarowin[28] examined the specific inflows and outflows of investing and financing cash flows in relation to capital market effects. Investing and financing cash flows have played little role in financial distress analysis to date. Neil et al[29] cite Bahnson and Bartley's research that used all three cash flows in their financial distress prediction research, and found that all three cash flows were significant in their model. While the present research does not attempt to show that the investing and financing data are statistically significant, it demonstrates their greater explanatory power over operating cash flow alone through the case study's parallel historical analysis that highlights the disparities between the OCFAID model and perceptions of people within the organisation.

Any ratios based on annual reports can only be as good as the data contained in the annual reports, but within any financial report cash balances are likely to be the most objective and verifiable of all the data reported. Calculation of ratios assumes the accuracy of the reported information, and a researcher or report user should be aware of the possibility of manipulation of the data contained therein. It is widely acknowledged that financial reports are subject to manipulation,[30] and caution should be exercised whenever the reports form the basis of further research.

1.3 Entrepreneurship

There is some discussion in the literature as to whether entrepreneurship pertains to an action, or to a person undertaking the action. An action must be performed by a person, but is it the action, or the actor which is entrepreneurial? A person acting entrepreneurially is an entrepreneur at that time, but may simply be a manager (or perform some other role) at other times.[31] There is little to be gained from seeking resolution to this debate, as entrepreneurship involves both persons, either individually or in a group, and actions. Repeated demonstrations of entrepreneurial behaviour would lend substance to a view of an individual as an entrepreneur in the long term. Further, entrepreneurship may be demonstrated by organisations as well as individuals, as evidenced by a growing body of literature on corporate entrepreneurship.[32] For the purposes of this research, the entrepreneurship of the individuals, RLW and HRW will be the primary focus, with only brief reference to the form of the organisation as an indicator of entrepreneurship.

A range of definitions have been suggested to capture the essence of an entrepreneur, both in lay terms and in academic literature. The *Cambridge International Dictionary* defines an entrepreneur as "a person who attempts to make a profit by starting their own company or by operating alone in the business world, especially when it involves taking risks."[33] This definition provides a starting point of understanding by raising three conditions. First, it states that it is only necessary to attempt to make a profit, and implies that its achievement is not required. This point is often overlooked in the academic literature. It is particularly pertinent in this thesis, as RLW had two early business failures prior to his eventual success with the Mt Cook Group.[i]

The activities of a business change over its lifetime. This definition states that the entrepreneur must start the business or operate alone thereby excluding the successor to an existing business where there was more than one employee. This requirement is rejected, as the changes later in a business's life can be equally as entrepreneurial (by other definitions) as the start-up activity. This thesis illustrates the point well, as the first two managing directors, a father and son, both demonstrated entrepreneurship. Research by Nicholas[34] supports this view as he draws on subsequent generations in business and compares them with founders on the assumption that both parties are entrepreneurial. While classical entrepreneurship involves start-up, there is increasing recognition of corporate entrepreneurship and the entrepreneurial process occurring at any point in an entity's existence.[35] The definition limits the user to static analysis that fails to acknowledge changes over time.

The third feature raised in the dictionary definition is risk-taking. This is the subject of much discussion in economic literature, where there is little apparent agreement.

An alternative definition of an entrepreneur offered by Carland et al is "an individual who establishes and manages a business for the principal purposes of profit and growth. The entrepreneur is characterized principally by innovative behavior and will employ strategic management practices."[36] Although this still requires the establishment of the business, innovation is an important idea which is not explicit in the dictionary definition.

Factors demanding analysis appearing from these definitions include innovation, risk and capital. These will each be addressed in turn.

Innovation is the tool of entrepreneurship.[37] Drucker states that "the entrepreneur always searches for change, responds to it, and exploits it as an opportunity".[38]

JS Mill linked entrepreneurship with the notion of risk-taking, which Schumpeter (1954) wholly rejected as necessary to the entrepreneur. Schumpeter asserted that the risk is attached to the provision of capital, and therefore is borne by the capitalist. If entrepreneurs are providing capital, they do bear the risk, but as capitalists, not as entrepreneurs. In a broader sense, the entrepreneur does bear some risk, in the form of reputation.[39] In the event of failure, the entrepreneur bears the stigma of failure, whereas the capitalist bears the financial loss.

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[i] Timmons (1999) noted that it "in order to succeed one first has to experience failure", p.30.

Knight[40] states that entrepreneurship requires a low aversion to uncertainty, rather than a low aversion to risk. As the outcomes in any entrepreneurial decision are unknown and risk can only be assessed if the probability of outcomes is able to be estimated on the basis of past experience, there can only be an assessment of the uncertainty involved in the decision. Amit et al[41] hold that innovation is the reason that uncertainty is particularly relevant to entrepreneurship as the entrepreneur bears three types of uncertainties: technical uncertainty, demand uncertainty and uncertainty in the pace at which imitation and competing innovations will erode profitability.

Entrepreneurship may include a change to the way business is conducted, which may include development of a new process which reduces costs, an improved product, a new product to meet a market demand, or the development of a new product for which demand must be generated.[42] As these events could take place at any point in the life of the business, the above requirement that entrepreneurship requires starting a company is flawed. Accordingly, it is rejected for this study.

Capital may be a constraint on entrepreneurship. Blanchflower and Oswald[43] found in Britain that lack of capital was the most frequently cited reason amongst employees for not becoming self-employed, and that amongst those seriously contemplating becoming self-employed, raising finance was the most frequently claimed concern. That study equated self-employment with entrepreneurship, which oversimplifies the concept. For example, persons conducting business as a franchise are offering a standardised product or service according to others' predetermineed specifications and procedures, and therefore are not necessarily displaying any entrepreneurial ability, but will still be classed as self-employed. It is interesting, however, that Blanchflower and Oswald have challenged the usual parameters of economic research and ventured into sociological data, to establish whether the self-employed are happier, using the National Child Development Survey conducted in the UK, to support their conclusions. Entrepreneurship transcends the boundaries of any single discipline, including accounting, and this interdisciplinary approach is necessary to give the concept any clarity.

Entrepreneurship literature appears in a number of disciplines, with research from a psychological perspective seeking to identify personality traits of entrepreneurs.

Smilor[44] selects four key elements for entrepreneurship: talent, opportunity, capital and know-how. These are a fairly common collection of ideas to encompass the concept of entrepreneurship, although questions have already been raised above regarding the provision of capital. The economic literature suggests that it is not necessary for the entrepreneur to provide the capital and thus bear the risk, but it still remains for the entrepreneur to raise the capital required to undertake the entrepreneurial activity. Literature often includes a further characteristic: ability to tolerate ambiguity.[45]

Entrepreneurship in New Zealand is constrained by culture and public policy according to Harper.[46] This New Zealand Institute of Economic Research (NZIER) paper recognised the changes made to the economy in the late 1980s and into the 1990s. Several personal characteristics for entrepreneurs are identified, such as alertness to profit opportunities, ability to learn spontaneously, an internal locus of control (belief that the individual can influence their environment), managerial skills and superior foresight,[47] as well as conditions required in the business environment.

Culture influences views on failure, as is shown by the different treatments of bankruptcy in the US and UK. The US takes the view that failure is an inevitable part of the business cycle and that the decisions resulting in failure did so because they failed to beneficially reallocate resources. Legislation allows for bankruptcy to not impose an impediment to future ventures. The UK, in contrast, imposes penalties on the bankrupt party and establishes impediments to further business opportunities. The UK model is followed in New Zealand and it has been argued that RLW was denied a knighthood because of business failures,[48] while HRW was awarded a KBE in 1976.

Ronstadt[49] suggests that entrepreneurship is often shown by a succession of start-ups rather than a single business venture, and called this phenomenon the Corridor Principle. Once the first venture is commenced, the entrepreneur can see further opportunities that would not have been apparent without establishing the first venture. Reasons for the subsequent venture development vary, and may include the entrepreneur's need for something new and different, a need to expand, or a need to bolster the first venture. RLW and HRW both satisfy the Corridor Principle hypothesis, with a number of new ventures created by each under the group name. RLW began with service cars operating to Mt Cook, extended into accommodation with hotels at Mt Cook, Queenstown and

Greymouth, began an (unsuccessful) airline in 1920, was involved in building the Chateau Tongariro (in the late 1920s), and developed recreational facilities at Mt Cook. HRW began with the group developed by his father, recommenced air services, designed and developed the skiplane venture, and developed ski areas in Queenstown. These were opportunities that became available subsequent to earlier developments.

Miller and Friesen[50] regard entrepreneurship as a factor in organisational theory and identify a number of different styles of organisational structure using strategy making as a classifying factor. This resulted in two categories of organisations: failed organisations with four sub-classifications; and successful organisations with six sub-classifications (see Table 1.2). During its time under control of HRW, Mount Cook Group was an entrepreneurial conglomerate by Miller and Freisen's definition:

> these firms remain in many ways an extension of the rather bold and ingenious men who built and continue to run them. The emphasis is upon rapid growth through the acquisition of other firms, and this generally brings an extremely diverse set of markets. It also requires divisionalized structures and the extensive delegation of operating authority. Elaborate control and information-processing systems are employed to ensure unity of effort.[51]

Notwithstanding HRW's appointment as Managing Director following RLW's death, the firm demonstrated most of these characteristics. It will be shown in the following chapters that from the 1970s onwards, acquisitions were the most prevalent method of growth. An increasing level of interest in finances shows the growing need for unity and control. Questions may be raised over the adoption of information systems, although increasing level of detail in the directors' minutes would suggest a higher level of recognition of the need for control. The company's earlier existence under RLW is more akin to the niche innovator, which Miller and Friesen define as:

> Typically smaller companies whose strategy is to find and occupy a niche of the market that has been left open by competitors. Firms enter interstices of the market where their size and inexperience are not disadvantageous. They typically remain simple and undiversified, ensuring that they continue to dominate their niches through the frequent generation of product innovations.[52]

Table 1.2: Summary of Features of Archetypes (adapted from Miller & Friesen, 1984)

	Relation to Environment	Strategy	Structure	Information Processing	Power	Decision Making	Functional Focus	Examples from RLW and HRW
Impulsive F_1	Select environment via acquisitions	OVEREXTENSION Rapid expansion & growth via acquisition	TOP-CENTERED, DIFFERENTIATED Divisionalized Centralized Differentiated Not integrated	Very poor controls	All at the top – with the entrepreneur	Impulsive Simplistic Risky Bold Unplanned	None – perhaps most attention to "new ventures" by financial staff	
Stagnant F_2	Ignore environment	ULTRA-CONSERVATISM Produce yesterday's product efficiently	RIGID, BUREAUCRATIC Functional Centralized Monolithic Mechanistic Formal	No scanning Blocked internal communications Alienation of middle management	All at the top – with the aging conservative	Conservative Reactionary Tradition-bound	Production	
Headless F_3	Different divisions have different relations with the environment	MUDDLING THROUGH Drifting, focus on day-to-day issues	LEADERLESS, DIVERSIFIED Divisionalized Extremely decentralized Fragmented Political Uncoordinated	Poor communications Lack of control over subunits	Dispersed among middle managers	Fragmented Conflicting Politically motivated	Varies among subunits	

Aftermath F_4	Adapt to it, in piecemeal, incomplete manner	GRAFTING & GROPING Attempt turnaround via piecemeal innovations – grafting onto old strategy	MAKESHIFT Functional Centralized Few resources Differentiated	Schism prevents hierarchical and horizontal communication and collaboration Poor controls	With new top-level managers	Impulsive Trial & error Risky Unplanned	Varies with background of new leaders	
Adaptive #1 S_{1A}	Adapt to environment Power on a par with competition	ADAPTIVE Low cost/price Incremental change Efficiency	VIGILANT Functional Monolithic Coordination by leader	Personal, informal controls	At apex, charismatic leader	Intuitive & analytical Conscious strategy	Production & marketing	
Adaptive #2 S_{1B}	Adapt to environment Lead competitors somewhat	ASSERTIVE Bold innovations that are hard to imitate	ORGANIC-CEREBRAL Functional Technocratic Differentiated Integrated	Scanning environment Open internal communications Committees for collaboration	Dispersed through firm	Analytical Planning Risky Bold	R&D, engineering	Skiplane development 1956-1965
Dominant S_2	Manipulate the environment Dominate the competition	EXTRAPOLATING Up-to-date & appealing products Excellent service "Ideology"	HIERARCHICAL Functional Technocratic Hierarchical Committees for innovation	Scanning customers Collaborative framework for innovation	At apex, hero	Based on old strategy & ideology	Marketing New product development	

Giant S_3	Adapt to environment Follow competitors	INCREMENTAL Some incremental innovation & imitation to keep lines current Diversification Some geographic expansion	DECENTRALIZED Divisionalized Differentiated Elaborate & formal committee structure	Elaborate MIS, control systems, profit centers, cross-functional & inter-divisional committees	At level of divisional managers – shared with top	Analytical Traditional Cautious	Sometimes marketing (since industries mature)	
Conglomerate S_4	Select environment by diversification and acquisitions	EXPANSION Purchase firms in attractive industries and manage them	CHARISMATIC Divisionalized Centralized Differentiated Elaborate & informal collaborative mechanisms	Controls & information systems, scanning for ventures, and informal meetings	At apex, entrepreneur	Analytical & intuitive Bold	Finance, MIS	Expansion through Takeover 1966-1980
Niche Innovator S_5	Create new segment of environment	NICHE Niche strategy – innovation within niche	ENCEPHALIZED Functional Centralized	Crude Open communications to facilitate innovation	At apex, founder-expert	Analytical Bold	R&D, engineering	

Entrepreneurial skills are not necessarily passed to the second generation with the business. Nicholas[53] investigates the accumulation of wealth over a lifetime, and whether the second generation performs as well as a first-generation entrepreneur, using data on persons selected from the *Dictionary of Business Biography* and the *Dictionary of Twentieth Century British Business Leaders*. Nicholas finds that inherited business ownership, a form of wealth in terms of Blanchflower and Oswald's 1998 research, results in lower lifetime accumulation. Blanchflower and Oswald show that the inheritor of wealth is more likely to be self-employed. Nicholas's research builds on this finding and attempts to measure the level of success of the entrepreneur or inheritor. Another unexpected result of Nicholas's research was the effect of a high-status education, which resulted in lower lifetime earnings. Nicholas suggests this is due to an emphasis on conformity and that British staple industries have suffered through slow adoption of science and technology, which is attributed to the subjects' exclusion from school curricula. Blanchflower and Oswald's results may not apply in New Zealand as the culture is different from the UK's. The Kiwi "can-do" attitude would have an influence on what was achieved by inheritors, as well as first-generation entrepreneurs.

Entrepreneurship was also demonstrated by other operators developing transport and tourism in New Zealand. The efforts of RLW and HRW were focussed on South Canterbury and the Southern Lakes area of the South Island. Further north, the Newman brothers were operating in the Nelson area and later expanded into the lower North Island. In the North Island, the Hawkes Bay Motor Co. Ltd was developed under the guidance of JT Harvey. This company was subsequently taken over by the Mount Cook Group.

This thesis will contribute to the entrepreneurship literature by drawing out the entrepreneurial aspects shown by the Mount Cook Group, mostly by its founder, RLW and his son, HRW. There is currently little literature of this nature in New Zealand from either a contemporary or historical perspective. The predominantly accounting approach adopted in this thesis brings a new perspective to the entrepreneurship literature.

1.4 Definitions of Tourism

Mount Cook Group has been involved in tourism since its early days. Despite many attempts to define the parameters of the tourism industry, there is still much discussion on its definition. Literature in the field varies widely over the extent to which tourism contributes to, and is derived from other industries. There are two approaches to defining tourism: first as a concept, and secondly as a technical application. This discussion will deal only with attempts towards a conceptual definition.

Davidson[54] argues that there is no tourist industry. An industry denotes

- individual business establishments grouped together
- the revenue received by these economic units
- producing and selling a common product, ie. the product of one firm is a substitute for the product of any other firm in the industry.[55]

Tourism does not meet this description, in his view, for several reasons. He describes tourism as being:

- a social phenomenon, not a production activity
- the sum of the expenditure of all travellers or visitors for all purposes, not the receipt of a select group of similar establishments
- an experience or process, not a product – an extremely varied experience at that.[56]

Tourism is therefore an expenditure-driven phenomenon, and not a receipt-driven one. Tourism is much more than an industry in Davidson's view, and its social contributions make it more akin to a 'sector' that has an impact on a wide range of industries"[57] than an industry itself. Davidson does not provide a definition of tourism, though, so its analysis as either an industry or a sector is premature. The alternative classification as a sector also remains undefined. A sector would presumably encompass several industries, yet be based on common characteristics, for example, provision of services to tourists (if that term can be agreed).

A widely quoted definition is offered by Jafari (1977):

> tourism is a study of man away from his usual habitat, of the industry which responds to his needs, and of the impacts that both he and the industry have on the host socio-cultural, economic, and physical environments.[58]

There is no indication in this definition of the purpose of the travel, which suggests that all business travel should also be included in tourism. While there may be an element of tourism in business travel, it is generally not the major part. Conversely, the other aspects of business travel are not excluded from this definition.

The relevance of purpose in defining tourism is further illustrated by refugee situations. People are moved away from their usual habitat as Jafari defines tourism, yet it would be preposterous to consider this activity a part of tourism industry or sector.

Stear et al[59] offer a definition of the tourism industry as "the collection of all collaborating firms and organisations which perform specific activities directed at satisfying the particular needs of tourists."[60] This attempts to exclude goods and services which tourists consume incidentally to their touristic purposes, thus providing a better focus on the nature of tourists' needs. In addition to Jafari's omission of purpose, Stear et al fail to offer an indication of their perception of who or what a "tourist" is.

Stear et al list seven basic functions within the industry:

1. the accommodation sector
2. the attractions sector
3. the carrier sector
4. the tour operator and wholesaler sector
5. the promotion and distribution specialist sector
6. the co-ordination sector
7. miscellaneous touristic-services-and-goods sector.[61]

These factors can all be linked to services that the Mount Cook Group has provided at some point in its past. It is not necessary for an entity to be in all of these sectors to be a tourist entity, nor is it necessary for an entity to serve only tourists for its nature to be predominantly tourist-oriented.

Jackson also fails to deal with the purpose of tourism as a component of its definition. He states:

> tourism denotes the temporary, short-term movement of people to destinations outside the places where they normally live and work and their activities during their stay at these destinations.[62]

Although the temporary nature of tourism is a valid inclusion, the lack of purpose would still include business travel and its activities, except where it is of a recurring nature to the same destination, where it may then be considered a place where one normally works. The inclusion of refugees has been circumvented as they do not know when they are returning to the place "they normally live and work" thus failing to fulfil the temporary movement part of this definition.

Recognition of tourism as an industry is sought by business operators in the sector to justify tourism's purpose and to lend it legitimacy. The omission of purpose in the definitions offered suggests that there is support for the view that there is no tourism industry, and that perhaps a sector encompassing several industries is a more appropriate view. The range of participants in tourism and their varied activities lend support to the notion of a sector over an industry view. A sector view would also provide legitimacy, as it encompasses several types of businesses and gains a large and diverse base to campaign for recognition of and benefits to the sector.

The New Zealand Official Yearbook (1998) provides the following definition:

> Tourism is the sector of the economy that caters for the needs of visitors from other parts of New Zealand and from overseas. The word tourist usually refers to people who are away from home for one night or more. They may be travelling on holiday, for business or education, taking part in sporting or cultural events, or visiting friends or relatives.[63]

This definition is more specific and tells us more about tourists than tourism, yet it avoids the flaw of omitting purpose. It is noteworthy that "sector" is used here to describe tourism's role in the economy.

There has been little progress in finding a widely accepted definition, but it is clear that whatever view is taken of the concept, there is little doubt that Mt Cook Group was actively involved in many aspects of tourism.

This thesis contributes to the tourism literature by recording the history of an important developer of tourism activities in New Zealand in the 20th century. Its pioneering nature and ultimate size in the sector ensure its place in New Zealand's tourism past. The contribution by RLW and HRW to the sector was recognised by Tourism New Zealand in the Centennial Honours Awards in 2001.[64]

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[1] Cocks, 1960; Easton, 1993; Newman, 1993.

[2] Easton, 1993.

[3] Wilson, 1995, p.1.

[4] Anderson and Epstein, 1995.

[5] ICANZ, 2001, FRS-10.

[6] Lee, 1982; Lee and Stark 1984; Singleton-Green, 1991; Giacomino and Mielke, 1993.

[7] Largay and Stickney, 1980, pp.51-54.

[8] Casey and Bartczak, 1984, p.62.

[9] Casey and Bartczak, 1985.

[10] Aziz and Lawson, 1989.

[11] Gombola and Ketz, 1983, pp.105-114.

[12] Thomas, 1982; Parker, 1975; Buzby and Falk, 1974.

[13] Singleton-Green, 1991, p.22.

[14] Lee, 1992, p.35.

[15] Lee, 1992, p.35.

[16] Giacomino and Mielke, 1993.

[17] Lee, 1984, p.102.

[18] Arnold and Wearing, 1988.

[19] Arnold and Wearing, 1988, p.322.

[20] Lee and Stark, 1984.

[21] Lee, 1984, p.107.

[22] Robb, 1999.

[23] Lee, 1984.

[24] Hatfield, 1924.

[25] Robb and Lewis, 2002.

[26] Robb, 1999.

[27] Boston Consulting Group, 1970.

[28] Livnat and Zarowin, 1990.

[29] Neill et al, 1991.

[30] Edwards, 1984; Smith, 1992.

[31] Schumpeter, 1934.

[32] Drucker, 1985; Chell *et al*, 1991; Timmons, 1999.

[33] *Cambridge International Dictionary*, online 2000.
http://dictionary.cambridge.org/define.asp?key=entrepreneur*1%2B0

[34] Nicholas, 1999.

[35] Timmons, 1999.

[36] Carland et al, 1984.

[37] Drucker, 1985, p.27.

[38] Drucker, 1985, p.25.

[39] Harper, 1992.

[40] Knight, 1921.

[41] Amit et al, 1993.

[42] Schumpeter, 1934; Carland et al, 1984.

[43] Blanchflower and Oswald, 1998.

[44] Smilor, 1997.

[45] Amit et al, 1993; Smilor, 1997.

[46] Harper, 1992.

[47] Harper, 1992, pp51-53.

[48] Hunt, 2000.

[49] Ronstadt, 1988.

[50] Miller and Friesen, 1984.

[51] Miller and Friesen, 1984, p.115.

[52] Miller and Friesen, 1984, p.119.

[53] Nicholas, 1999.

[54] Davidson, 1994.

[55] Davidson, 1994, p.22.

[56] op cit., p.24.

[57] op cit, p.26.

[58] Jafari, 1977, p.8.

[59] Stear et al, 1988.

[60] Stear et al, 1988, p.234.

[61] Stear et al, 1988, p.235-236.

[62] Jackson, 1989, p.3.

[63] *New Zealand Official Yearbook*, 1998, p.295.

[64] *The Timaru Herald*, 22 August 2001, p.2.

Chapter 2

Research Methodology

2.1 Methodology

This research is interdisciplinary in nature and draws on methodology and techniques of both accounting and history. History has similarities with accounting[1] in that both disciplines address past events, and both aim to present a view of what has happened. History extends this focus by attempting to explain why events occurred as they did.[2]

Both disciplines suffer from the inevitable choices that enable some things to be seen while obscuring others at the same time. Poggi wrote "... a way of seeing is also a way of not seeing"[3] to illustrate sociology's problems with intra-unit and extra-unit foci. When one perspective is acknowledged, the other is obscured. Accounting records only those transactions that can be expressed in money terms, and for this reason much of importance goes unrecognised. Furthermore, in the process of summarising such financial activities accounting chooses what shall be separately reported and what will not be disclosed. New fields of accounting research are seeking to address these omissions, for example, environmental accounting and human resource accounting. The omission of the human interactions from the accounts can be redressed by the application of historical techniques to counterbalance the numeric focus of the accounting data.

In history, the choices are those of selection. The time period that this research covers has a generous supply of choices in terms of sources. Selection must be made, and judgement made on the merit of the sources used. In this research, material has been sourced from a number of places, to avoid bias towards any particular interpretation of the past that may have been held by the collector of the sources. The interdisciplinary combination used in this research informs the accounting analysis with historical insights which have a greater power to explain why events occurred as they did.

"New" accounting research has emerged that is "self-consciously attentive to the social character of accounting theory and practice."[4] While the research questions examined in this thesis (see below) might have been adequately addressed by mainstream research, the understandings that this "new" accounting approach has revealed are conscious of the social environment of accounting and accountants, and therefore contribute to the body of new accounting research.

Sight has been used as a metaphor in accounting research. Morgan and Willmott[5] used a visibility metaphor in reviewing new accounting research, while visibility has been discussed in management accounting changes[6] and public sector accounting.[7] Hopwood emphasised that accounting could make some things visible and others not, thereby "exclud[ing] particular visibilities from the official organisational agenda."[8] Hines[9] provided a narrative illustration of financial accounting's ability to make some things visible while hiding others in selecting the boundaries of reported entities. This idea of visibility (and consequent invisibility) is echoed by Morgan[10] who explores both the interpretive and metaphorical nature of accounting, further supporting the perspective that accounting is not an objective practice, but that accounting interprets reality while communicating information.

Continuing the visibility theme, this thesis offers three different views of the same case study. In each, information which is made visible by that particular technique obscures or passes by other information that may be revealed by another.

This thesis uses a case study to answer calls for more case studies in accounting[11] and to give a more in-depth understanding of the cash flow model, while allowing a thorough investigation of the company's history. The company selected is no longer publicly traded as it was bought by a larger competitor in 1990. This has enabled access to the records that the research has required, and has also allowed the conclusions drawn to be made public.

The research uses three techniques to examine this case study in order to allow three different views to be revealed. It is expected that each technique will make visible different aspects of the company and its performance in each time period.

The first technique employed is a traditional ratio analysis. Ratio analysis has been used with financial reports to assess an entity's performance and position,[12] to make investment decisions,[13] predict share prices and dividends,[14] and to predict bankruptcy situations.[15] The ratios used were selected for their common usage. Most first-year textbooks cover these ratios, so it is likely that the users of the financial statements were aware of these ratios, even if untrained as accountants.[16] Robb[17] has raised concern that the use of ratios alone as a predictor of failure does not allow for non-quantifiable factors, for example, adverse weather conditions affecting trade, which may contribute to failure. The third technique, historical analysis, addresses this limitation.

The second technique supplements the first technique by retrospectively applying a newly developed cash flow tool, Operating Cash Flow after Interest and Dividends (OCFAID). This makes visible information that was not reported at the time the annual reports were presented. This perspective compensates for the fact that accountants in the past have failed to give a complete view of an entity's performance. The new tool adds a necessary dimension to the traditional (and limited) visibility that accounting provides.

The third technique is an historical analysis of other archives, documents and publications. Documents sourced across different places, and different types of documents allow triangulation[18] of the results presented. The documentary sources were supplemented with oral interviews with past employees and members of the founder's family.

Choices made in historical analysis are restricted by the resources that have been preserved. Documentary sources have been favoured in the past, and are still a dominant source of historical information. This parallels accounting which places an emphasis on the importance of physical records of transactions, and audit trails.

2.2 Research Questions

The questions addressed in this research are:

How does the new tool, OCFAID, perform as an attention directing device, compared with traditional ratio methods? OCFAID is a recently developed device, making use of data that has been required under New Zealand's Accounting Standard

SSAP-10 and FRS-10 since 1988. OCFAID can also be derived from most financial statements prior to 1988. The retrospective application of this tool allows an analysis that was not practised at the time of the publication of the historical annual reports. The singular advantage of this is that the data would not have been manipulated to give satisfactory results as cash flows were not reported, and by extension, not examined, at the time.

The first research question led to a subsidiary question: **What difficulties arise in deriving cash flows from historical published financial statements?** While the reported data has not been manipulated with cash flows in mind, some problems with this process did arise. Sparsity of records made it problematic to verify that all the appropriate adjustments had been made in any given year.

The third technique of historical analysis followed from the question: **What contribution can a longitudinal historical analysis make to the quantitative analyses?** This augmented the two quantitative analyses provided to satisfy the first two research questions by a qualitative analysis which looked at the history of the group. This historical analysis could verify or refute the information that the quantitative analyses provided. It was able to provide some explanations for the results, which the figures alone could not explain.

A further question emerged through engagement with the data: **What has been the role of entrepreneurship in the history of this company?** During the early stages of this research, it became apparent that it would be difficult and incomplete to attempt an analysis of the Mount Cook Group without focusing on the contributions of the founder, Rodolph Wigley, and the second managing director, his son, Harry Wigley. Their entrepreneurial contributions were integral to the development of the company. It was desirable to examine their entrepreneurship for a more complete understanding of the business history of the company. The quantitative analysis arising from the first two questions inevitably provided an incomplete picture of the company's past and this dimension arising from the historical analysis was necessary to provide explanatory power.

Finally, **What role have accountants played in the course of this business?** This question arose from the later period of the case study, after the second entrepreneur had died. Accountants became a dominant part of the board, which drew attention to their less prominent role in the past. It was also a legitimate question for research, given the emphasis placed on the annual reports, which are arguably the product of accountants.

2.3 Documentary Source Materials

A variety of documentary sources have been used in this research. Annual reports, directors' minutes, contemporary publications, correspondence and archives have all played a part in interpreting the history of this company. Each source will be explained in turn.

2.3.1 Annual reports

The initial task for this research was to assemble the relevant span of annual reports. These came from the Companies' Office in Christchurch, the Christchurch Public Library, and the Mount Cook Airline's archives. The annual reports archived with the Mount Cook Airlines were also separately sighted in the Canterbury Museum archives and verified as to their accuracy by comparing the data from the two sources.

The annual reports were used to derive the ratios and the cash flow data. Other non-financial information in these reports, particularly in later years as they became more elaborate, provided a brief outline of the company's activities in each year.

2.3.2 Directors' minutes

Access to the archives held by the Mount Cook Airlines (now a wholly owned subsidiary of Air New Zealand) was obtained. The archives are uncatalogued and unsorted, held in the roof-space of a commercial garage. These have been accessed regularly over the four years of this research. Amongst these records, the directors' minute books have been of particular value. The minute books were all read and notes taken for the historical analysis. Only one book, from August 1938 to April 1949, was not found.

The directors' minutes were used to supplement the brief historical outline derived from the annual reports. They were of particular value in identifying the roles that different board members played, and the source of ideas for the company. They were also a valuable resource for identifying projects that were considered, but which did not come to fruition.

2.3.3 Contemporary publications

Newspapers have been searched for articles at particular time periods to establish what information was in the public domain at given times, and to assess public opinions. *The Press*, the local Canterbury paper, has been viewed on microfilm. *The Timaru Herald* was searched at the Timaru Public Library. The two newspapers are geographically based in the areas where the company had its head office at different times, and are therefore most likely to carry articles relevant to this research.

Trade journals have also been viewed. *White's Aviation* was useful, particularly for the earlier years in the company's aviation. A selection of issues of the Mount Cook Airline's inflight magazine, *Aorangi* (later *Aoraki*), were reviewed, but the contents were mostly general travel information, and not specific to the Mount Cook Group.

Contemporary publications showed what the public perception of the company and its projects was at specific times and locations.

2.3.4 Correspondence and archives

The Canterbury Museum was given two collections of materials from the Mount Cook Group. The first collection consisted of 153 boxes and was mostly correspondence and other papers. The majority of the boxes are recorded as "General Records" with no further indication of their contents. A sampling of these boxes has been examined for material pertinent to this research. The second collection was slightly more structured so it was possible to examine relevant documents from the descriptions held of this material.

This archived material helped to reveal the internal workings of the company. Correspondence was reviewed that provided an insight into the entrepreneurs and the ways that they conducted business.

2.4 Triangulation

2.4.1 Oral accounts

Interviews were of a semi-structured nature, and were recorded on audio tape when conditions allowed. Notes were taken during all of the interviews, and abstracts of the recorded interviews were prepared.

Participants were found by the snowball technique, with an aim to gather oral accounts from as broad a time span as possible. Participants were past employees of the company, as well as members of the Wigley family. Some participants were members of both categories. The participants are listed in Appendix 3.

In total, 12 participants were interviewed. With the exception of one participant who was interviewed by telephone, all participants elected the time and place for the interview. This was to ensure that the participant was in an agreeable environment to share their understandings with the researcher. Four participants were members of the Wigley family and ten participants worked for the group. Two participants fitted into both categories.

The interview material was used to establish a background understanding of the culture of the company, and was significant in drawing attention to the important role that entrepreneurship played in the progress of the company. The oral evidence verified and supplemented the documentary sources.

2.5 Research Methods

Calculation of the cash flow information using the indirect method was the initial step in this research. OCFAID was expected to identify periods of financial distress. The data showed only one period of distress, which was in the 1930s. This analysis was inadequate, given that the initial comments by interviewees indicated that the company had frequently faced financial difficulties throughout its history. The cash flow analysis was therefore extended to look at the two other categories of cash flow: investing and financing cash flows.

The derivation of the cash flow data was in accordance with the methods used by Robb and Lewis.[19] The method presented some difficulties, beyond simply obtaining the annual reports. Definitions of terms used in accounting have varied over the 60 years examined, and assumptions have had to be made. An example is the variety of the terms given to the initial value in the profit and loss statement: Gross Profits and Takings, Gross Returns and Takings, Gross Revenue and Revenue have all been taken to represent the gross sales of the company for the year. This was confirmed to some extent by the comments in other parts of the annual report, notably the Director's Report, but from an accounting perspective, the values are not truly comparable. This is a limitation of longitudinal studies, and while it would be preferable to have comparable data, the best efforts have been made with the available information. An advantage of the cash flow information is that to some extent it eliminates the changes in accounting concepts, as cash is usually quite easily identifiable. For example, changes to valuation methods would have no effect on the cash flows, and any adjustments for the effect of revaluation are reversed out to find the actual cash flow.

Cash flow data has not been adjusted for inflation. Cash borrowings would normally require repayment of the nominal amount borrowed, so adjustment to show the change in purchasing power would not enhance the information that the cash flow data provided. Lawson[20] suggested the adoption of an inflation index to adjust cash flow. This raises two problems for the application of OCFAID in this thesis. The first would be the arbitrary choice of a suitable indicator of inflation that covered the 60-year timeframe. The second reason that adjustment would be inappropriate is the comparison that is made between OCFAID and retained earnings. Lawson[21] also pointed out that historic cost profit (which is the main factor behind retained earnings) is not amenable to an index number transformation. It is therefore preferable to compare the two data series on the same, non-indexed basis.

The historical analysis was developed to give another perspective on the entity's performance. This analysis drew on the interviews conducted with past directors and key personnel with the group, as well as members of the Wigley family. This third perspective provided further insight into the workings of the group, as an organisation consisting of individuals and exchanges, rather than the more detached transactions/events approach used in accounting.

The historical analysis enabled expansion of the boundaries to the group that the accounting information assumes. While accounting data only records transactions and events that the group engages in, the historical analysis looked beyond the assumed boundaries and considered the composition of the board and their interactions, and the environment in which the entity operated. These factors also contributed to the group's overall performance and influenced the group's future potential.

The three techniques in combination provide a more thorough picture of the case study. The combination has worked well to highlight the merits and the shortfalls of each analysis.

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[1] Goldberg, 1974, p.408.

[2] Fogel and Elton, 1983; Tosh, 1991.

[3] Poggi, 1965, p.284.

[4] Morgan and Wilmott, 1993, p.3.

[5] Morgan and Wilmott, 1993.

[6] Miller and O'Leary, 1987.

[7] Gregory, 1995; Jacobs, 2000.

[8] Hopwood, 1988, p.9.

[9] Hines, 1988.

[10] Morgan, 1986.

[11] Ryan et al, 1992, p.113.

[12] Athanassopoulos and Ballantine, 1995.

[13] Banker et al, 1993.

[14] Zarowin, 1990.

[15] Rushinck and Rushinck, 1987.

[16] Synnott, 1934.

[17] Robb, 1986.

[18] Yin, 1994.

[19] Robb and Lewis, 2002.

[20] Lawson, 1992, pp.101-102.

[21] Lawson, 1992, p.102.

Chapter 3

Industry and Company Background

3.1 Tourism in New Zealand

Presently, the *New Zealand Official Yearbook* provides data and narrative sections on tourism, recognising the significant role of this sector in New Zealand. There has not always been a dedicated section. From 1893 there was discussion of mineral spas which were early tourist attractions. The quality of water was compared with European resorts, which provides an indication that tourist activities were worthy of comment, and New Zealand was actively promoted as a health spa.

The government first recognised tourism in the formation of the Department of Tourist and Health Resorts in 1901,[1] although there is no mention made of this in the *Yearbooks* in 1901 or 1902. Tourism activity was recognised as early as 1898, in relation to Hanmer Springs Thermal Resort, indicating the important role of those taking the waters as pioneers in tourism.[2] Activities peripheral to the thermal pools, such as sports and mountain climbing excursions, indicate the beginnings of a tourism industry.

Extensive descriptions of the Mt Cook area are also given, showing that there was interest in visiting the area for recreation and adventure purposes, for example, mountaineering.[3] The journey by train and coach from Timaru to Mt Cook was fully described, with the coach from Fairlie to Mt Cook taking two days. The first person to complete the journey from Timaru to Mt Cook by car was Rodolph Wigley in 1906, taking 22 hours,[4] and this route became the basis of the Mt Cook Group's business.

International tourist statistics were first reported in the *New Zealand Official Yearbook* in 1923. This was the result of a change in the method of data collection from 1 April 1921, whereby cards were issued to each person arriving who declared whether they intended to immigrate permanently, were returning New Zealanders, or were visiting on business or pleasure.[5]

The government's tourist department underwent some name changes, and changes in the line of command. Health resorts were included in the department's name until 1954, when the department was renamed the Tourist and Publicity Department.

The Tourist and Publicity Department Act 1963 listed the functions of the Department as:

> (a) To encourage and develop the New Zealand tourist industry and tourist traffic to, within, and beyond New Zealand:
>
> (b) To establish, maintain, develop, and operate publicity, information, and public relations services and to charge for those services where appropriate:
>
> (c) To establish, maintain, and operate a travel service for reward:
>
> (d) To act as agent for any person or organisation where the Minister considers it necessary or expedient for the operation of the travel service:
>
> (e) To administer the Tourist and Health Resorts Control Act 1908 and to carry out the functions of the Department formerly known as the Department of Tourist and Health Resorts.[6]

The new title better fitted the services and activities of the department, and eliminated the health connotations that had previously been important when the spas were a major attraction to the country.

3.2 The Mount Cook Group

Mount Cook Group had extensive involvement in the tourism industry from its earliest days. At different times in its life as an independent company, it provided air services, coach services, ski fields, motor home rentals and travel centres. Most services were directed towards the tourism industry, but there was also an element of providing services to rural New Zealand, through freight services, general aviation services, agricultural topdressing and domestic use of the passenger air services, operating feeder routes into the trunk lines.

Its beginnings were a motor garage in Fairlie in 1906, operated as a partnership between Rodolph Lysaght Wigley (RLW) and Sam Thornley. Wigley undertook the first journey by car from Timaru to Mt Cook in 1906, and the establishment of a regular, motorised passenger service from the railhead at Fairlie to Mt Cook saw the beginnings of the Mount Cook Motor Company Limited in 1912.[7] RLW must have seen opportunities as technology improved vehicles and roads for New Zealanders to see their own country. The focused shifted from the motor to the user of the motor: the tourist.

The company expanded its operations in 1929 to include:

> (u) lines or any service of steam and other ships...
>
> (v) hotel, restaurant, café, refreshment rooms...
>
> (w) to carry on business as tourist agents and contractors to facilitate travelling...[8]

This change in focus enabled RLW to gain more custom from the client base by meeting more of the travellers' needs than just transportation between points. The ability to diversify into steam and other ships was taken up with a launch service in Queenstown, and foreshadows the later development into another type of transport, air services.

The company has operated under several different names in the course of its existence. The Supreme Court allowed Mount Cook Motor Company Ltd to change its name to "The Mt Cook Tourist Company of New Zealand Ltd" on October 23rd 1929. This new name reflected the company's target market: the tourist. The company re-registered as a public company on 24th January 1930. Another name change was made to "Mount Cook and Southern Lakes Tourist Company Ltd" in 1937, making use of the changes in the geographic areas in which the company operated. The name was simplified to "The Mount Cook Group Ltd" in 1977,[9] which was first used on the *Annual Report* for the year ended 31st May 1978, although reference was made to the conglomeration of companies and subsidiaries as the Mount Cook Group from 1973.

The activities of the Mount Cook Group can be described using the seven sectors identified by Stear et al as components of tourism in Chapter 1.4. These will be addressed in turn.

3.2.1 Accommodation

Services provided by the Mount Cook Group developed over the course of its history. Initially, passenger transport services from Fairlie to Mt Cook were offered. This was diversified by securing the management contract for The Hermitage hotel at Mt Cook from the government in 1921. The Hermitage reverted to government control on 31 March, 1942. [i] Further additions to the hotel services focused on tourist locations. These were the White Star Hotel in Queenstown, acquired in 1927,[10] and sold in 1944.[11] Brent's Hotel in Rotorua was bought in 1929,[12] but sold three years later in 1932.[13] RLW was the managing director of the company that built the Chateau Tongariro 1929,[14] but the company was liquidated in less than two years, in February 1931, having been adversely affected by the Depression.[15] Eichardt's Hotel in Queenstown was purchased in 1936,[16] and sold in December 1951.[17] Shortages of accommodation in the Mt Cook area were alleviated to some extent by a new venture at Lake Ohau in December 1951,[18] which was kept by the company until 1960, having been leased out from 1955.[19]

The lifting of building restrictions in 1956 and removal of hotel tariff controls[20] brought about an increase in the number of beds available. Tariffs had been frozen from September 1, 1939 at the outbreak of war, until May 1949, when the setting of accommodation rates was the responsibility of the Price Tribunal until December 1961.[21] The Price Tribunal saw their role as preventing exploitation of a monopoly position, brought about by the high costs of entering the market, i.e. in constructing hotels.[22]

By 1962, the company's fiftieth year, operations were more firmly focused on transport,[23] and no further ventures in accommodation were successfully undertaken. By 1966, the Chairman's Address lamented the "lack of [suitable accommodation] at Mount Cook, Queenstown and Te Anau."[24] The possibility of a hotel in Queenstown was investigated from 1969, but this encountered public opposition, and the site was eventually sold to the Tourist Hotel Corporation at a loss in 1974.[25] Shares in

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[i] New Zealand Tourist and Publicity Department date this event as 1944 in "75 Years of Tourism" while Wigley 1979 dated it as 1942. The company's *Annual Reports* confirm Wigley's date.

Travelodge NZ Ltd were held for some years in the 1970s, which the Group regarded as a strategic shareholding, rather a dividend-yielding investment. An ongoing lamentation of the company had been a shortage of suitable accommodation, particularly in Queenstown, which was the justification for holding these shares.

3.2.2 Attractions: Skiing

Skiing in the Mount Cook area developed during the 1920s, following the commencement of the Hermitage lease, to make increased use of the facilities and the buses.[26] RLW was keen on the sport, and Henry Wigley, his son who later became the managing director of the company, believes this played a large part in the development of the sport in New Zealand.[27] Previously the government had closed the Hermitage over the winter months each year, but RLW wanted to keep the hotel open year-round, to gain better utilisation of its asset, and the buses that served the area. The sport was extensively advertised in the 1920s and 1930s and proved very popular. Winter sports carnivals were first arranged in 1931 at Mount Cook. Activities were enhanced by the inaugural New Zealand Championships, held by the New Zealand Ski Council in 1935, which then alternated between Ruapehu and Mt Cook.

With the Hermitage reverting back to the government's control in 1942, there was a need to pursue development of skiing facilities elsewhere. Coronet Peak was already being used and proving a likely site, so efforts were put into promoting Queenstown as a winter venue.

The Crown Range, between Wanaka and Queenstown, was used as a skiing venue during 1939, but the company transferred its efforts to the Coronet Peak area, where road transport was able to be used to take skiers to a drop-off point, for them to ski down a disused track and make more runs in a day than was possible without the transport. In 1940, Wigley stated:

> They also had excellent transport facilities to Coronet Peak (and) it was now likely that a road would be put into the skiing field ... which would considerably popularise the sport ...Queenstown could be made as popular in the winter as in the summer.[28]

Hamilton rope tows were installed in 1947, and were the first ski tows to be successfully operated in New Zealand, further popularising the sport.[29] The commencement of flights between Melbourne and Christchurch in 1951 resulted in great boost to the number of Australians travelling to New Zealand to enjoy the skiing at Queenstown offered by the company.

In 1952, 15 000 acres of the Coronet Peak area were declared a recreational reserve under the Tourist and Health Resorts Act 1952, being too small an area and too seasonal in use to qualify for national park status.[ii] This status enabled the Group to continue its commercial activities without a great deal of government intervention. A further advantage was to protect the company's operations from competition.

New poma lifts were installed for the 1978 ski season.[30] Facilities at Coronet Peak were further enhanced by the addition of a $1.3 million base facility in 1983.[31]

A new field in the Queenstown area was investigated from the early 1970s to meet growing interest in the sport, and eventually resulted in the establishment of The Remarkables Ski Area, opened in 1985.[32] The Remarkables Ski Area has a longer ski season as it is higher than Coronet Peak, and is better sited to benefit from snow falls from the south west.[33]

3.2.3.1 Carrier: Coach Services

Transport was the backbone of the company, as service cars were its initial activity. Services were extended in 1934, with the acquisition of a business operating between Arrowtown and Queenstown, and the addition of a one day connection between Studholme Junction (near Waimate) and Queenstown.[34] World War Two introduced changes into the client base, as travellers were unable to make trips abroad and the domestic market increased, assisted by special excursion rates.[35] Wigley (1965) indicates that operations did not prosper, and that delivery of basic supplies to the Hermitage and back country stations was the mainstay of the company during the war.[36] After the war, there were increased costs to restore the fleet of vehicles to a satisfactory condition, because of a lack of availability of parts during the war.[37]

[ii] The Department of Conservation (1992) date this as 1955.

Patterns in recreation and travel were affected positively by the passage of The Annual Holidays Act 1944, which granted two weeks holiday on full pay to all workers.[38] This allowed a broader portion of the population to take holidays; some presumably utilised Mount Cook Group's services. There were only 199 379 private cars registered in New Zealand in 1944, increasing to 305 672 by 1953,[39] indicating that the public were more reliant on public transport in this period than is currently the case.

Passenger services suffered a decline in 1954, with the contraction of government projects in the MacKenzie area.[40] The fiftieth annual report acknowledges that the coach services are the "mainstay of the Company's operations."[41] Charter services were utilised during the 1960s to boost usage of the bus fleet, and this had a flow-on benefit for the airline. Luxury Landlines Ltd was acquired, extending the land-based operations into the North Island, with coach services between Auckland and Wellington.[42] Further expansion occurred in 1973, with the addition of the Hawkes Bay Motor Co. Ltd, Rollinsons Motors Ltd of Albury and H. Gould & Co. Ltd of Timaru. Rental cars were operated in cooperation with Mutual-Avis under a franchise agreement.[43] A shortage of suitable long-distance passenger vehicles was lamented in 1974, particularly for the Christchurch-Queenstown service. Denning coaches were introduced on the Christchurch-Queenstown route during 1973, and their success prompted the acquisition of the franchise to build this type of vehicle in New Zealand.[44] These vehicles were introduced on the Wellington-Auckland route in 1978, and produced a great improvement in standards and service.[45]

The company's founder, Rodolph Wigley died in 1945, and Henry Wigley (HRW) was appointed Managing Director, having been a Director on the board since 1942.[46] The major changes that HRW introduced to the company as Managing Director were withdrawal from accommodation services and the development of the airline.

3.2.3.2 Carrier: Aviation

The company made several attempts to commence air services. This was an interest of both RLW and HRW. The first venture, New Zealand Aero Transport Company, was formed by RLW as a separate company to fly surplus WW1 planes on loan from the government about 1920.[47] This enterprise generated a lot of cash in two or three years, flying for show and thrill seekers, but it suffered from the vagaries of the aircraft, and high costs in keeping them running, so was wound up in 1923[48] with the remaining planes returned to the government. It was an early adventure into aviation, which Rodolph Wigley perceived as having a great future. His visions were not to become reality until the 1960s, when the company was under the control of his son, Henry Wigley.

Opportunities for commercial flight around the Mt Cook and Queenstown area were exploited by RLW with the formation of Queenstown-Mt Cook Airways Ltd.[49] An aerodrome was built by the government at Birch Hill, near Mt Cook, and officially opened on the 3 March 1936.[50] The advent of World War 2 forced the business to close down. Wigley wrote:

> The whole Queenstown-Mt Cook Airways enterprise was built on faith and not much more. ...we were told quite regularly ... it had no future and we'd certainly go bankrupt. Occasional spells of bad weather made us a little fearful that the latter prophecy would come true and we redoubled our efforts to sell our services.[51]

Queenstown-Mt Cook Airways did not recommence after the war. However, developments in aviation did unfold in other directions.

A subsidiary, Mount Cook Air Services Ltd, was formed in 1956 to operate flights for top-dressing, drop fencing material in remote areas, pre-fabricated alpine huts, and rabbit poison baits. It also re-established sightseeing trips.[52] It became a fully owned subsidiary from 1 October 1965.[53] Services to the Mt Cook area were improved in 1971 with the introduction of a direct air link between Mt Cook and Rotorua, two of New Zealand's top tourist attractions.

In addition to routes intersecting with the main trunk lines, HRW designed a retractable ski for planes to land either on a sealed runway or on the glaciers. He adapted a ski design to a retractable model to fit the company's Auster aircraft. This was the beginning of the ski plane business, which proved a valuable drawcard for Mt Cook and the glaciers. The retractable ski was first tested on 22 September 1955,[54] with full airworthiness being gained by July 1956.[55]

Aviation was brought under the umbrella of the Mount Cook Group, and first recognised as a source of revenue in the *Annual Report* of 1962. The report for the year ended 1961 acknowledged that "[r]apid development of domestic air lines and their encroachment on our established service routes have forced us to take a more active interest."[56] This led to the commencement of services from Christchurch to Mt Cook, Queenstown and Te Anau in November 1961.[57] The Chairman's Address also recognised "the need for the Company to retain the initiative in the development of its air service."[58]

New Zealand Tourist Air Travel Ltd was acquired in full on a share-exchange basis towards the end of the 1968 financial year.[59] A new service was approved by the Air Services Licensing Authority in October 1969 to fly between Mount Cook and Rotorua. A new competitor entered the domestic market in 1985, which provided a major new challenge for the company.[60]

By this time, Air New Zealand had acquired 77 per cent of the company's shares.[61] A close relationship already existed between the companies, as early as the 1960s, with Mt Cook and the National Airways Corporation (NAC) working closely in promoting civil aviation. NAC was formed by the government in 1945 and commenced services in 1947, and had provided the guarantee required for the purchase of aircraft during the 1960s, in addition to cooperation in staff training and leasing of aircrafts.

Other air services were also provided. Aerial top dressing was extended in 1976 with the purchase of Central Aviation Ltd, who held a licence over most of the southern South Island's rural deliveries. Amphibian operations, added as part of the New Zealand Tourist Air Travel acquisition in 1968, were closed down in April 1976.[62]

In summary, three main types of air services were provided by the group: sightseeing flights, rural services, and domestic routes. There were attempts to start commercial flights as early as the 1930s, but the development of technology during the second World War was the key to providing commercial aviation on an ongoing basis. Tourism proved to be a major focus in the development of the airline.

3.2.4 Other Services

Mount Cook Group was involved in several other activities, of which most related to the tourism sector.

Expansion into the North Island was made with the purchase of 75 per cent of Bay Tours Ltd in 1978, which provided coach tours in the Bay of Islands area, and serviced the new airport at Kerikeri.[63]

Travel offices were established in New Zealand and overseas to promote the services of the company. These sold Mt Cook tours as well as making other travel arrangements. An affiliation with Jetset Tours in Australia was made in 1978 to undertake joint promotion of tours and services in Australia.[64]

Motorhomes were made available for hire from 1984, which diversified the company's client base further.[65] These were not retained within the group for very long. This division was sold in 1988 to Maui Tours, who continued to rent motorhomes under the Mt Cook Group's name.[66]

3.3 Summary

It is generally agreed that the tourism sector makes a major contribution to the New Zealand economy. Without doubt, the Mount Cook Group was a large player in this sector. It was one of the largest non-government operators in this sector prior to its acquisition by Air New Zealand. Its early involvement in tourism also marks it out as an innovative and entrepreneurial company.

Over the period under study, there have been many changes in the operations of the group, driven by a vision of the company's direction, and a need to adapt to changing times. This thesis identifies and critically evaluates these influences through a financial analysis and the history of the firm.

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[1] AJHR, 1902, H-2.

[2] Rockel, 1986.

[3] *New Zealand Official Yearbook*, 1898, p.555.

[4] Wigley, 1979, p.10.

[5] *New Zealand Official Yearbook*, 1921-22, p.48.

[6] New Zealand Government, The Tourist and Publicity Department Act, 1963.

[7]Memorandum of Association, 1929, Companies Office.

[8] Special Resolution, 1929, Mount Cook Tourist Company of N.Z. Ltd, Companies Office.

[9] *Annual Report*, 1978.

[10] *Annual Report*, 1962.

[11] *Annual Report*, 1945.

[12] *Annual Report*, 1930.

[13] *Annual Report*, 1932.

[14] *Annual Report*, 1930.

[15] *Annual Report*, 1931.

[16] *Annual Report*, 1937.

[17] *Annual Report*, 1952. Wigley (1965) records this sale as taking place in 1950 (p.106).

[18] *Annual Report*, 1952.

[19] *Annual Report*, 1956.

[20] Lloyd, 1964, p.20.

[21] Lloyd, 1964, p.24.

[22] Lloyd, 1964, p.24.

[23] *Annual Report*, 1962.

[24] *Annual Report*, 1966.

[25] *Annual Report*, 1974.

[26] Wigley, 1979, p.77.

[27] Wigley, 1965, p.22.

[28] *Wakatip Mail*, 17 September 1940, cited in Ryan, 1971.

[29] Wigley, 1979, p.93.

[30] *Annual Report to Staff*, 1978.

[31] *Annual Report*, 1983.

[32] *Annual Report*, 1986.

[33] *Annual Report*, 1985.

[34] *Annual Report*, 1935.

[35] *Annual Report*, 1940.

[36] Wigley, 1965.

[37] *Annual Report*, 1946.

[38] Lloyd, 1964.

[39] *New Zealand Official Yearbook*, 1944 and 1953.

[40] *Annual Report*, 1954.

[41] *Annual Report*, 1962.

[42] *Annual Report*, 1970.

[43] *Annual Report*, 1974.

[44] *Annual Report*, 1976.

[45] *Annual Report*, 1978.

[46] *Annual Report*, 1946; Wigley, 1979.

[47] Wigley, 1965.

[48] http://www.enzt.co.nz/halloffame/1999/hof1999c.htm, 2 December 2002.

[49] Wigley, 1965, p.28.

[50] Pearce, 1972, p.81.

[51] Wigley, 1965, p.59.

[52] Wigley, 1965, p.136.

53 *Annual Report*, 1966.

[54] Wigley, 1979, p.186.

[55] Wigley, 1965, pp.143-164.

[56] *Annual Report*, 1961.

57 *Annual Report*, 1962.

58 *Annual Report*, 1963.

[59] *Annual Report*, 1968.

[60] *Annual Report*, 1986.

[61] Kilsby, 1995.

[62] *Annual Report*, 1976.

[63] *Annual Report*, 1978.

[64] *Annual Report*, 1978.

[65] *Annual Report*, 1985.

[66] *Annual Report*, 1988, p.14.

Chapter 4

The First Entrepreneur's Struggles: 1930-1936

4.1 Introduction

Annual reports, which form the basis for analysis, were very brief during this period. They were a single leaf of paper, folded in half, presenting four pages of text, each measuring 210 x 265 mm. The front page showed the company name, number of shares, the directors, company secretary, solicitors, and bankers. The centre two pages presented a directors' report of approximately seven brief paragraphs with the financial information opposite. The balance sheet, profit and loss account were shown. The back page detailed the Ordinary General Meeting details and business (see Appendix 2 for a copy of the 1935 *Annual Report*). The report's brevity was normal for the time. The information was regarded as confidential to shareholders and the report was simply generated for shareholders in order to satisfy legal requirements without any of the public relations aspects found from the 1960s onwards. For this reason, the first three chapters of historical analysis are necessarily brief. It has also been impossible to interview people who were involved with the company during these periods, as up to seventy years have elapsed, and no-one involved is still alive.

The company had been in operation for 18 years at the commencement of this period, and was widely regarded as the largest tourism operator in the country.[1] RLW formed the company in 1912 from a previous failed transport company, and set up freight and tourist transport to the Hermitage. His interests in engineering and tourism proved to be ideally suited to the enterprise that grew from pioneering motor transport services. The balance sheet at the beginning of this period is summarised below (Figure 4.1) to show the company's situation at this time.

Figure 4.1: Balance Sheet as at 31 March 1930 (in Pounds)

Assets		Liabilities		
Buildings	40 122	Debenture loan	19 600	
Plant	53 577	Loans and mortgage	48 518	
Sundry Debtors	5 988	BNZ	108	
Stock on Hand	4 234	Sundry creditors	9 364	77 590
Investments	24 023	Owners' Equity		
Cash on Hand	600	Paid Up Capital	48 000	
Preliminary expenses	991	Reserve	12 519	
Goodwill	13 000	Appropriation Account	4 426	64 945
	142 535			142 535

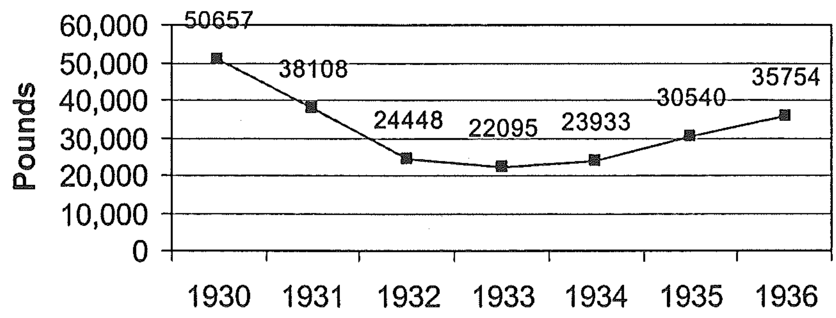
Source: *Annual Report*, 1930

At the beginning of this period, the company was involved with a number of hotels around the country: Eichardt's Hotel and the White Star Hotel in Queenstown, The Hermitage at Mt Cook, and Brent's Hotel in Roturua. RLW was also the managing director of the Chateau Tongariro in Tongariro National Park. The company operated bus services predominantly in the South Island, but also ran service cars to the Chateau from the nearest railway station. The company was recognised as the largest private tourism operator in the country in 1930.[2]

4.2 Traditional Analysis

Disclosure of gross sales was not required by legislation during this time period, but the company did disclose what it described as "gross profit and takings". RLW referred to "revenue" in the Directors' Reports, and his comments correspond with the changes in this reported "gross profit and takings", suggesting that the figure is a reliable proxy for gross sales. Expenses such as "Drivers' Meals, Repairs, Salaries, Wages" were deducted from the provided gross profit and takings, further supporting its suitability as a proxy for sales. In view of the services that the company provided, the only likely deduction that had been made from gross sales to derive "gross profit and takings" would be for sales of services to be provided by other transport operators. The disclosed gross profit and takings between 1932 and 1934 fell below half their 1930 level of £50657 (see Figure 4.2). The fall was attributable to the depression that followed the Wall Street crash in 1929, which had triggered a global recession.

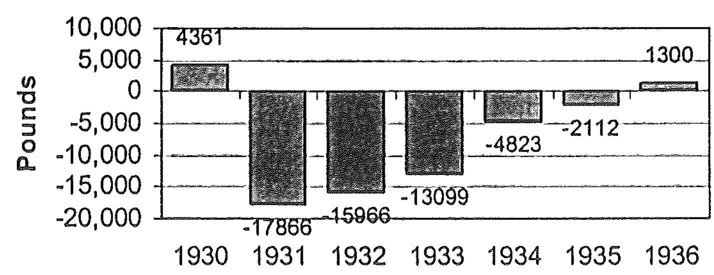
Figure 4.2: Gross Profit and Takings 1930-1936



Source: *Annual Reports*

A small profit was reported in 1930, but losses followed every year until 1936, when another small profit (£1300) was reported (see Figure 4.3).

Figure 4.3: Net Profit After Tax 1930-1936



Source: *Annual Reports*

The stream of losses for the intervening years had an erosive effect on the debt/equity ratio. Total equity dropped every year until 1936, and the debt/equity ratio climbed from 119% to 156% in 1935 (see Table 4.1). The following table shows the equity as the paid-up capital of the company plus/minus the appropriation account as appropriated. From 1931, the retained earnings of the company were negative. This account was shown on the balance sheet as an asset. The asset has been treated as equity in accordance with current accounting practice.

Table 4.1: Debt to Equity Ratio 1930-1936

Year	Debt / Equity (Pounds)	Percentage
1930	77590 / 64945	119%
1931	79469 / 61852	128%
1932	58014 / 56303	103%
1933	56986 / 44591	128%
1934	57028 / 40421	141%
1935	59937 / 38474	156%
1936	59823 / 41788	143%

Source: *Annual Reports*

Working capital can not be readily assessed from the annual reports in this period, as the distinction between current and non-current assets and liabilities was not made explicit. However, for the purposes of analysis, the items have been classified on the same basis as the 1946 *Annual Report*, when this distinction was first recorded. The working capital ratio (current assets / current liabilities) for 1930 to 1932 was above 100% (see Table 4.2), showing that the company had sufficient resources to cover its short-term debts. This ratio dropped below 100% for the remainder of this period, which is not surprising for the Depression and post-Depression years, and creditors would have had little option but to wait until the company was able to pay its debts. This scenario would have been widespread at the time.

Table 4.2: Working Capital Ratio 1930-1936

Year	Current Assets / Current Liabilities (Pounds)	Percentage
1930	10 823 / 9 472	114%
1931	13 734 / 10 611	129%
1932	9 006 / 7 037	128%
1933	6 542 / 7 667	85%
1934	6 168 / 8 073	76%
1935	7 617 / 11 525	66%
1936	7 658 / 9 638	79%

Source: *Annual Reports*

Goodwill of £13 000 stood in the balance sheet throughout this period. This item represented 9% of total assets in 1930, rising to 15% in 1936. The Appropriation Account joined goodwill as an asset in the balance sheet from 1931, and exceeded its value in every year. Writing off the goodwill would have further reduced performance results in any year, and simply transferred the balance to the Appropriation Account, further increasing the debt/equity ratio.

A dividend of 8% was declared at the adjourned AGM for 1930, with no payment on 16 000 bonus shares issued in December 1929.[3] Retained earnings were therefore reduced by £2560, with an additional unexplained reduction of £170 from the retained earnings brought forward as shown in 1931's Annual Report.

A write-off of accounts was discussed by the directors in 1932 but was deferred until the capital was written down.[4] This decision spared the recognition of bad debts, thus minimising the reported loss for the year. Despite the omission of bad debt write-offs, the annual report received a clean audit report.

Depreciation varied little throughout this period, with the exception of 1933. It ranged from 4.3% to 5.4%, and averaged 4.9%. Depreciation in 1933 was 8.7% of depreciable assets. The increase was caused by additional depreciation of £3000 in anticipation of a future writedown of capital. The writedown occurred in 1937.

In 1934, a shareholder suggested at the AGM that more detail be given in the Annual Report.[5] The minimum requirements under the Companies' Act 1933 were a balance sheet and auditor's report to be sent to all persons receiving notice of a meeting.[6] The company already exceeded this requirement by supplementing these with the profit and loss statement and the directors' report. No change was made to this presentation style until 1946, when HRW took over as the managing director.

A loss was reported in 1934, but the Chairman's Address to the AGM stated that "we seem to have definitely turned the corner and present conditions indicated a further upward trend to better times."[7] The cash flow analysis, which follows, suggests that 1934 was when conditions improved, despite profits lagging two years behind.

The depression hit the company hard, and a writedown of capital was suggested in the Annual Report as early as 1932. The AGM put it to the board that a writedown be made when the directors saw fit. The writedown occurred in 1937, which marked the beginning of the next period.

Debenture holders were asked to consider a reduction in the interest paid from 8% to 5% per annum in February 1932.[8] The appeal was unsuccessful, but a reduction to 5% for first debentures and 6% for second debentures was approved much later with effect from 31 March 1938 by the South Canterbury (Urban) Adjustment Commission.[9]

4.3 OCFAID

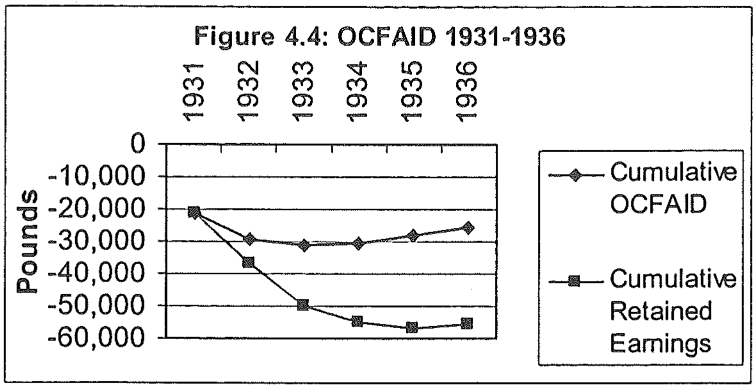
OCFAID indicated a similar interpretation to this traditional analysis. It was clear from the OCFAID graph (see Figure 4.4)[i] that the business was in a distressed state. The data that has been used to draw this graph is provided in Table 4.3. The cumulative OCFAID was negative throughout this period, but the result in individual years was positive from 1934 onwards. This can be seen in the positive curve for cumulative OCFAID and the individual years' OCFAID in Table 4.3. The recovery shown here began two years before the traditional analysis showed a profit in 1936.

Table 4.3: OCFAID 1931-1936

Year	OCFAID (Pounds)	Cumulative OCFAID (Pounds)	Cumulative retained earnings (Pounds)
1931	-21 250	-21 250	-20945
1932	-8 148	-29 398	-36 911
1933	-1 574	-30 972	-50 011
1934	109	-30 863	-54 834
1935	2 633	-28 230	-56 945
1936	2 433	-25 797	-55 645

Source: *Annual Reports*

[i] This graph begins in 1931, not 1930, as comparative data from 1929 was not available to derive cashflows for 1930. 1931 is therefore the earliest that this graph can be drawn.



Source: *Annual Reports*

The negative nature of both the OCFAID and cumulative retained earnings indicate the very serious state of the business. However, the depression would have affected many businesses in this way, and the survival of the business through this difficult period was a tribute to the perseverance and persistence of RLW, the other directors and the staff. The gradual recovery from 1934 onwards would have served as incentive for the continuing battle for survival in the short term.

4.4 Operations

The company was involved in a number of different services. For this section, the activities have been addressed on a group by group basis. First, general comments on the overall operations of the company are made. Air activities are then addressed. In the early chapters, these are air services, and from the 1950s onwards, air services are preceded by the airline activities, which became dominant in the company. Following air activities, the coaches are addressed. Freight is the next activity to be discussed, followed by accommodation services. Finally, the ski fields are addressed, in the appropriate chapters with other activities considered as other activities.

4.4.1 General Comments

An office was opened in Sydney in 1930 to sell the services of the business. This was by the appointment of a commission agent, Mr Will Lawson.[10]

4.4.2 Air Activities

Air activities were on RLW's mind, and an aerodrome at Birch Hill, near the Hermitage, was developed in 1934, once the lease of the land was secured from the Lands Department.[11] The Public Works Department agreed to build the aerodrome, on the condition that the company transported the relief workers from their camp at Bush Creek Camp, a distance of eight miles each day. Given that the company was a transport operator, this was a small price to pay for the aerodrome. The Public Works Department then offered the aerodrome for lease to the company at a charge of £10 per annum.[12]

A licence to operate one British aircraft in Otago, Westland and Canterbury was granted to the company in 1935. New Zealand still had strong links with Britain, and was to some extent reliant on British funds, thus the government specified the aircraft had to be British, ensuring ongoing relations with Britain. RLW bought a British Aircraft (BA) Swallow with his own funds, and it was used extensively on company business.[13]

An air pageant was held on May 2-4 1936 to celebrate the opening of the aerodrome.[14] It was the first to be built in the Waitaki district, and the opening was well attended by dignitaries.[15]

4.4.3 Coaches

Heavy snow in South Canterbury led to higher expenses in operating service cars in 1930.[16] Weather was an important external factor affecting the company's performance throughout its life.

Mail contracts were important to the company. They ensured not only regular income for the mail delivery, but public servants also frequently travelled by vouchers made out to the mail contractor in the area, so that securing a mail contract also provided this additional government work.[17]

The Queenstown mail contract was awarded to a competitor in 1931. The introduction of a new licensing transport act upset the arrangement, as their licence to operate was declined. An appeal was made by the competitor in June 1932. In December 1932 the company offered £350 to operate the Cromwell-Arrowtown-Queenstown contracts. The mail contract was subsequently renewed in October 1934 for £360.

A new service was introduced in November 1934,[18] linking Studholme Junction, the railway station east of Waimate on the main trunk line, with Queenstown in one day. Initially on a trial basis, this service made Queenstown more accessible by reducing travelling time. It was then possible to travel from Wellington to Queenstown in one day.[19]

The motor service between Arrowtown and Queenstown was purchased in June 1934 and motor services between Lumsden and Eglinton Valley, on the Milford Road, were purchased in October 1935, further expanding motor services. The acquisition of Lumsden Tourist Services in 1936[20] introduced Mr J Campbell to the board of directors in the next period.

The Lumsden service caught the attention of the Railways Department in 1936, who made it fairly clear in meetings with RLW that the company would have to sell the service to the Railways, or it would be forcibly taken over. Mr Bob Semple, the Minister of Railways, advised that there would be fair compensation paid for any service taken over. The company was not interested in selling, and sought to protect its motor services and the hotels that would be affected. A proposed new transport act cast a shadow over negotiations, as the company did not know if the new act would assist Railways to make such acquisitions or not.

New vehicles were added to the fleet in 1935, following several years of financial losses. The addition of new vehicles to meet demand pleased staff and shareholders alike with the company's progress and modernity.

4.4.4 Accommodation

Accommodation was another major interest of RLW. He planned to provide a chain of hotels running the length of the country to accommodate the guests that his transport interests were carrying up and down the country. His hotel chain vision underwent important changes in this period.

The company held shares in the Tongariro Park Tourist Company, which was building the Chateau Tongariro in 1929. RLW was heavily involved in this project, acting as the managing director for the Tongariro Park Tourist Company, and it was clearly seen as a part of his vision of a chain of hotels running the length of the country. The hotel company was liquidated in February 1931, having suffered from the depression which coincided with the hotel's opening.

Control of Brent's Hotel at Rotorua was acquired in 1930[21] to build RLW's grand plan of a chain of hotels running the length of the country. A special directors' meeting was held in December 1931 to discuss its future. The loss of Brent's was discussed, but it was decided not to retain the hotel to avoid damage to the company's finances and credibility of the company's name. Given global economic conditions and a challenge to settle an outstanding debt, all shares in Brent's Hotel were passed back to the previous owner in 1932.[22]

The Hermitage hotel at Mt Cook was leased by the company in 1922.[23] This enabled RLW to control transport to and accommodation at Mt Cook. He was then able to become one of the first operators in New Zealand to offer package deals.[24] The motto "Thousands of feet above worry level" was used to promote the scenery and relaxing environment created at the Hermitage. The motto stayed with the company for many years after the Hermitage was passed back to the government.

A reduction in rent and interest on the Hermitage, leased from the government, was negotiated from March 1933, having satisfied the government representative that everything possible had been done to reduce costs.[25] A requirement imposed by the government in exchange for the reduction was to write off accumulated losses and goodwill of £13 000 from the balance sheet.[26] The conditions were not met until a much later date, when accumulated losses were written off in 1937 at the same time as capital was written down. No goodwill was written off until 1942, when £4000 (31% of the total £13 000) was amortised.

Accommodation charges at White Star Hotel in Queenstown, and the Hermitage were reduced by 20% during the 1933 year to boost occupancy.

Winter sports were developed at the Hermitage. The Ball Hut facilities were in need of enlargement in 1932 to accommodate increasing demand. Directors floated the idea that unemployed labour could be used to clear away rocks. An official visit was made to the Hermitage by Mr Schmitt, the head of the Tourist Department, in September 1935. The company anticipated that this would result in improvements to the Ball Hut road, and installation of running hot and cold water at the hut.[27] The hut was enlarged, but no improvements in comfort were made.[28]

Difficulties with a misread electricity meter at the White Star Hotel were left to RLW to resolve. It was a common note in the directors' minutes that RLW was to action items, showing he was clearly the driving force as well as the managing director.

Cascade Camp in Eglinton Valley was added to the company in December 1935, and operated successfully to the year ended March 1936. The Cascade Camp was situated on the road to Milford, which was under construction at this stage. The Homer Tunnel had been started, but was not completed until 1959. The addition of this facility may have signalled a revival of RLW's accommodation chain, albeit on a more modest scale. The camp was taken over by the Railways Department with the transport services to the area in June 1936. [29] The company therefore held it for only seven months. A gain of £2920 was made on the sale, which was a good profit for a seven month investment, but RLW noted in his address to the AGM in September 1936 that this was less than keeping the services would have been worth to the company.

4.5 The Board

There were no changes in the directorship during this period. No other period was this stable, but it would have been difficult to recruit any new directors because of the depressive environment had the need arisen.

The board consisted of five members, one of whom was also the company secretary. (Refer to Table 4.4.) Their combined shareholding in 1936 was 36% of the total capital.

Table 4.4: Directors during 1930-36

Director	Professional background	Full term in office	Shareholding (and year quoted)
RL Wigley	Transport operator	1930-45	21575 (1936)
FV Lysaght	Farmer	1930-36	4000 (1936)
CD Elms	Driver	1930-43	1882 (1936)
D Standage	Bank manager	1930-37	1580 (1936)
H Coxhead	Accountant	1930-42	1020 (1936)

Source: Companies Office file

The composition of the board provides an interesting background to the growth of the company and the areas in which it operated. In these early days of the company, much of the capital was provided by, and many board members were, friends and family of RLW. Each member will be discussed in turn.

RLW was the founder of the company. His ideas were the driving force behind the company. His grand vision was for a chain of hotels running the length of the country, with coaches transporting tourists to the various attractions of New Zealand. He was a strong leader:

> He never asked his staff to do anything that he was not prepared to do himself, and he inspired outstanding loyalty and enthusiasm amongst them.[30]

RLW was an entrepreneur by most definitions. He was willing to take risks with the business. He was not strongly motivated by making money, but more interested in attracting people to visit the scenic areas that his company served:

> Money he tended to treat with disdain. The success of any venture, so far as he was concerned, was to get it operating to his satisfaction; whether it was profitable or not was of secondary importance.[31]
>
> The fact remains that a lot of pioneering successes that RLW achieved would never have got off the ground if profitability had been an essential requirement.[32]

His many business ventures illustrate this point. The Chateau at Tongariro particularly highlighted the intrinsic importance of the project, rather than its profitability. The Chateau's eventual failure was reported throughout New Zealand.

F Lysaght was RLW's uncle and a Geraldine runholder. His shareholding of 4000 shares in 1936 made him the third largest shareholder in the company. CD Elms first worked with RLW in 1905, before the Mount Cook Company was formed. He was a coach driver for the company, then a bus driver, and during the 1930s was the manager of the Hermitage.[33] D Standage was the general manager of the company. Prior to joining the company, he was the manager of the Timaru branch of the Bank of New Zealand (BNZ).[34] The BNZ was the company's banker. H Coxhead worked as a public accountant before joining the company in 1924. He worked for the company as an accountant, eventually becoming an assistant manager and director.[35] He was appointed as company secretary in December 1929.[36]

The company's auditor, WD Revell, passed away in May 1931.[37] Revell had been the company's auditor since its commencement in 1912, and was auditor for the prior failed business since 1906. Leggott and Allport were appointed temporary auditors and were subsequently re-elected until they stood down in 1963.

4.6 Economic Environment

Statistical analyses of the New Zealand economy exist elsewhere. The intention here is to give an overview of the context in which the business operated.

New Zealand's economy suffered from falling export prices and rising unemployment. In combination with the Wall Street crash in October 1929, New Zealand fell into a Depression in the early 1930s. Government intervention was rampant and although aimed at improving the situation, businesses continued to fail, further aggravating the unemployment problem.

Tourist numbers visiting New Zealand declined in this period due to the Depression (see Table 4.5). The company redirected its efforts to persuading New Zealanders to see their country, using the company's transport and accommodation. Tourist numbers did not recover until 1936.

Table 4.5: Tourists to New Zealand between 1928 and 1936

Year:	1928	1929	1930	1931	1932	1933	1934	1935	1936
No. tourists:	9597	9593	8484	7501	4732	5983	7441	8378	9927

Source: *New Zealand Official Yearbooks*

The Unemployment Board established in July 1930 set up a number of work schemes, many of which built roads, reserves and other public areas.[38] As shown earlier, the company was able to utilise some of these schemes to advance its own business. An overall improvement in roading conditions was considered beneficial to the national community, as it aided faster communication and overcame isolation, in addition to assisting private transport operators.

New Zealand's first Labour government was elected in 1935. In June 1936, the Industrial Conciliation and Arbitration Act was passed, enabling the re-introduction of the 40-hour working week.[39] Directors' minutes note that the move to a 40-hour week was being investigated in June 1936, when this bill was passed.

4.7 Competition and Government Involvement

As already noted, the company was widely regarded as the largest tourist operator in the country at this time. There were other significant operators in the country, notably the Newman brothers in Nelson/Marlborough and the Hawkes Bay Motor Company, but transport operators kept to localised areas, and there was little competition between operators for the same customers. The transport licensing laws also prevented duplication of services, thereby limiting the competition that operators faced.

The government-operated Railways Department were the only competition that posed any threat. The Transport Licensing Act 1931 gave preference to applications from the Government or local authorities over private operators for passenger-service licences.

Use was made of advertising paid for by others in this period. There was cooperative advertising with the Railways Department for the 1932 winter sports season. Vacuum Oil promoted its Mobil brand making use of the fact that the Mount Cook Company had used their oil for 28 years. The displays were also a good advertisement for the company.[40]

Completion of the Queenstown-Kingston road along Lake Wakatipu was expected to improve the company's trading from 1934 onwards. The Milford Sound road was also intended to open up further tourist opportunities. The possibility of taking over the Milford Sounds hostel and the Te Anau Hotel was considered.[41] These hotels would extend RLW's hotel chain to the very south of the tourist route. The delays in completing the Homer Tunnel made the addition of these hotels impractical.

The centenary of Australia's State, Victoria, was also expected to yield international visitors, via the Melbourne-Bluff steamer service.[42]

The government appointed a tourist advisory board in April 1935 to confer with the Government's Tourist Department. RLW was a member of this board.

4.8 Conclusion

The depression was a difficult period for the company, when several of its plans moved forward, only to be pushed back by difficult trading conditions. RLW had difficulty in keeping his grand vision alive, but improved results in 1935 vindicated his confidence in the company's future. The decision to write down the capital and present a more realistic balance sheet was an effective technique to put past losses behind them, and to begin a new, more confident phase.

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[1] New Zealand Department of Internal Affairs, 2000, p.565.

[2] *The Timaru Herald*, 22 August 2001, p.2; New Zealand Department of Internal Affairs, 2000, p.565.

[3]AGM, 7 June 1930.

[4] Directors' minutes, 7 June 1932.

[5] AGM, 10 August, 1934.

[6] Companies Act 1933, s.138(1).

[7] Chairman's Address to the AGM, 10 August, 1934.

[8] Directors' minutes, 26 February 1932.

[9] Companies Office file.

[10] *Annual Report*, 1930.

[11] Directors' minutes, 22 February 1934.

[12] Directors' minutes, 20 January 1936.

[13] Wigley, 1965, p.21 and Wigley 1979, p.179.

[14] Director's minutes, 27 March 1936, and *The Timaru Herald*, 2 May 1936.

[15] *The Timaru Herald*, 2 May 1936.

[16] *Annual Report*, 1930.

[17] Anderson, 1967, p.76.

[18] *Annual Report*, 1935.

[19] *The Timaru Herald*, 24 May 1934. (Canterbury Museum, Box 173.)

[20] *Annual Report*, 1936.

[21] *Annual Report*, 1930.

[22] Wigley, 1979, p.160.

[23] Tourism New Zealand, 2001, p.27.

[24] Tourism New Zealand, 2001, p.27.

[25] Directors' minutes, 11 January 1934.

[26] Directors' minutes, 22 February 1934.

[27] Directors' minutes, 16 September 1935.

[28] Wigley, 1979, p.52.

[29] *Annual Report*, 1937.

[30] Wigley, 1979, p.12.

[31] Wigley, 1979, p.13.

[32] Wigley, 1979, p.13.

[33] Wigley, 1979, pp.50-51.

[34] *Prospectus*, February 1930, Companies Office file.

[35]Scholefield, 1951, p.54.

[36] Directors' minutes, 4 December 1929.

[37] Director's minutes, 20 May 1931.

[38] Bassett, 1998, p.173.

[39] Bassett, 1998, p.193.

[40] Directors' minutes, 7 June 1932.

[41] Directors' minutes, 7 June, 1935.

[42] *Annual Report*, 1934.

Chapter 5

Wiping the Slate Clean: 1937-1945

5.1 Introduction

The company's capital was halved at the beginning of this period (see Figure 5.1). Along with the reduction in the value of issued capital, accumulated losses that had been recorded as an asset in the Appropriation Account were written off, which tidied the balance sheet and cleared the path for a brighter future; thus the slate was wiped clean. The name of the company was expanded to Mount Cook & Southern Lakes Tourist Company Ltd, highlighting that the company's operations extended beyond the one location. The company began this period with a retreat from the North Island hotels, and as the name reflected, it focused on the South Island activities in the Mt Cook and Southern Lakes areas. RLW was forced to postpone his grand vision for the company while it consolidated its financial position.

Figure 5.1: Balance Sheet as at 31 March 1937 (in Pounds)

Assets		Liabilities		
Buildings	52 763	Debenture	22 460	
Plant	39 625	Loans etc	39 552	
Stock on Hand	4 080	Sundry Creditors	5 115	
Investments	1 704	BNZ (secured)	2 025	69 152
		Owners' Equity		
Sundry Debtors	3 114	Paid Up Capital	39 666	
Advances to Directors and Officers	248	Forfeited Shares Reserve	140	
Cash on Hand	82	Reserve	1 776	
Goodwill	13 200	Appropriation Account	4 082	45 664
	114 816			114 816

Source: *Annual Report*, 1937

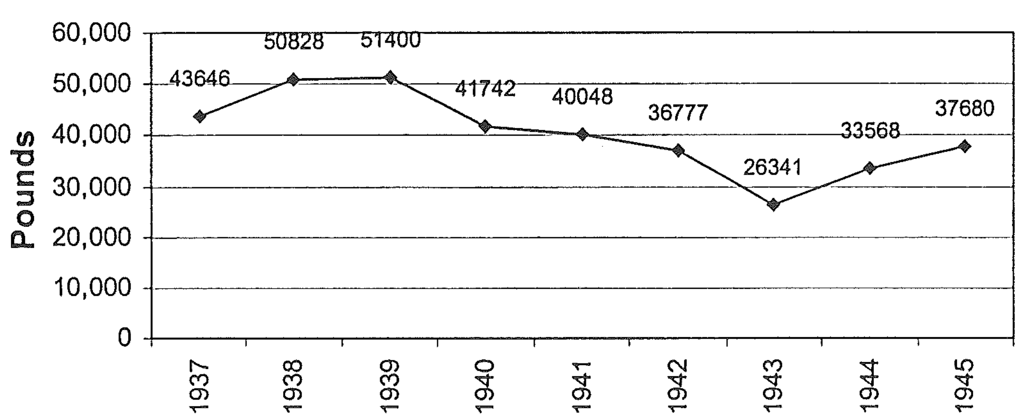
This period closed with the death of RLW, and his replacement as managing director by his son, Harry (later Sir Henry) (HRW). RLW passed away in April 1946, so the 1946 financial year could have been included within the parameters of this chapter.

However, the financial report would have been prepared after his death, and changes in reporting style which included comparative figures from the previous year and categorising items in the balance sheet suggest that there was already a new regime and that the 1946 results mark the commencement of a new period, rather than a strict interpretation that would include 1946 in this period. This decision had no material effect on the analysis. The changes in the accounting presentation were not an innovation, as the current/non-current split had been used in the USA since the turn of the century.[1]

5.2 Traditional Analysis

International events adversely affected the company from 1939 onwards. The impending war in Europe caused a decline in English and American traffic, while bush fires in Victoria, Australia caused heavy cancellations from Australia.

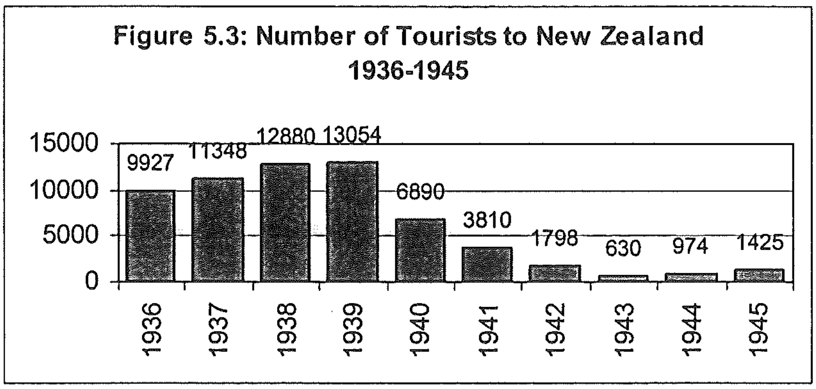
Figure 5.2: Gross Profit and Takings 1937-1945



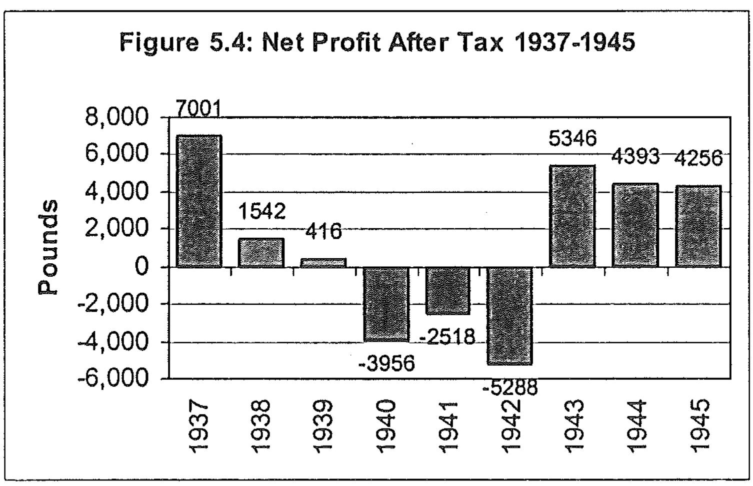
Source: *Annual Reports*

The outbreak of war in 1939 caused gross profit and takings to drop by nearly £10 000 (18.8%) during 1940 (see Figure 5.2). Gross profit and takings slumped by a further £10 000 (28.4%) in 1943 following the Hermitage passing back to the government in 1942.

The war reduced the number of international visitors (See Figure 5.3), and the company lowered its prices to satisfy the internal market, with a view to increasing its numbers.[2] This policy appeared to have been effective, in that gross profit and takings for 1941 dropped by only 4% from the previous year.



Source: *New Zealand Official Yearbooks*



Source: *Annual Reports*

Despite the rising turnover from 1937 to 1939, net profit after tax dropped significantly in 1938, and continued to fall until 1942, with the exception of 1941, in which a loss was still reported (see Figure 5.4).

The working capital ratio in this period is somewhat misleading (Table 5.1). During this period, the debt owed to the Bank of New Zealand (BNZ) was secured by the issue of a debenture, and subsequently was recorded as a secured, term liability. It is probable that the bank overdraft was recorded as a portion of the secured debt, but there was insufficient information in the reports to make an arbitrary allocation. For this reason, the working capital ratio in this period may be overstated, as the current liabilities do not include an amount for the overdraft with the BNZ from 1938 onwards.

Table 5.1: Working Capital Ratio 1937-1945

Year	Current Assets / Current Liabilities (Pounds)	Percentage
1937	7 524 / 7 141	105%
1938	7 713 / 2 920	264%
1939	7 779 / 3 583	218%
1940	7 673 / 5 033	152%
1941	8 107 / 5 248	154%
1942	6 944 / 2 445	284%
1943	9 707 / 3 072	316%
1944	8 648 / 3 820	226%
1945	10 745 / 5 224	206%
1945 (as stated in 1946)	10 225 / 7 207	142%

Source: *Annual Reports*

The restatement of the 1945 figures in 1946 was also a change in the reporting style. The difference in the current assets was an asset called "Post Office Savings Bank" which was regarded as a current asset, but classified by the company as an investment. This discrepancy highlights the difficulty of working with early financial reports, where the intentions of the directors are not readily apparent.

The *Annual Report* in 1942 noted that debentures had been repaid and that the mortgage had been reduced from £36 529 to £17 200. These changes were not shown in the financial statement as they occurred after balance date, but can be seen in the following year's report.

The 1943 report presented the first figures after the Hermitage was returned to the government. There was a notable improvement in profitability, both in sum and as a percentage of gross profit and takings.

Recovery was shown from 1943 to 1945. A possible reason for this improvement was the return of the Hermitage to the government. Details of its subsequent operation cannot be found, but the *Parliamentary Debates* in 1943 noted £650 paid to the Hermitage for operating costs, which suggested that the hotel continued to operate at a loss. The debate in parliament failed to refute this understanding.[3]

Recovery can also be seen in the debt/equity ratio. Up to 1942 this ratio was well above 100%, reaching 195% in 1942, which would have been a concern to lenders, and could well have resulted in forced liquidation had the company defaulted. Careful cash management kept creditors at bay during this period; creditors probably saw little benefit in forcing the company into liquidation and higher potential returns in waiting. The transfer of the Hermitage back to the government reduced the total assets of the company and removed associated debts from the balance sheet. The assets were improvements made to the Hermitage during the tenancy of the company that the government had agreed to take over at cost at the termination of the lease. There is a clear improvement in this ratio after 1942 (see Table 5.2).

Table 5.2: Debt to Equity Ratio 1937-1945

Year	Debt / Equity (Pounds)	Percentage
1936	59822 / 41789	143%
1937	69153 / 45663	151%
1938	69490 / 47205	147%
1939	69980 / 47622	147%
1940	68873 / 43761	157%
1941	67382 / 41243	163%
1942	70034 / 35955	195%
1943	25078 / 41302	61%
1944	22370 / 45695	49%
1945	22574 / 50155	45%

Source: *Annual Reports*

In 1944, dividends were paid for the first time since 1930, albeit at the modest rate of 2.5%, and doubled to 5% in 1945.[4] A small number of letters to the company indicate that shareholders wanted to sell their shares, but a lack of potential buyers obliged the existing shareholders to hold their shares and wait for an eventual return.[5] A broader study would be valuable to ascertain the effect of the Depression and the Second World War across the economy on share trading and dividend payment in other New Zealand companies, to establish whether this company's experiences were typical.

5.3 OCFAID

Operating cash flow was positive in this period, except for a dramatic drop in 1942 to a net outflow of £4836. This year was affected by petrol rationing resulting in a number of cancellations, as well as the passing of the Hermitage to the government.

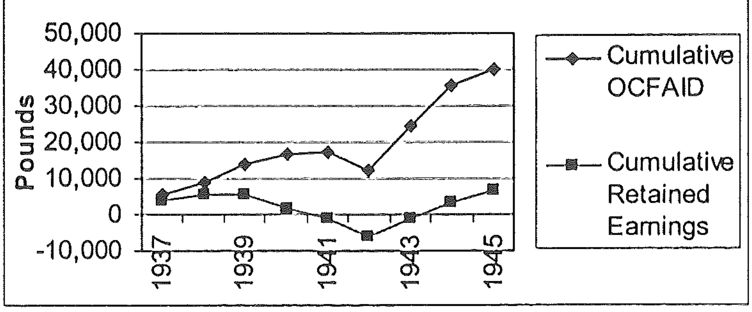
The steeper gradient in the OCFAID (see Figure 5.5) line shows that there was an increase in the net operating cashflow after the passing back of the Hermitage, suggesting that the Hermitage had been draining cash from the company. Data supporting the OCFAID graph is shown in Table 5.3 below.

Table 5.3: OCFAID 1937-1945

Year	OCFAID (Pounds)	Cumulative OCFAID (Pounds)	Cumulative Retained Earnings (Pounds)
1937	5 299	5 299	3 751
1938	3 835	9 134	5 292
1939	4 947	14 081	5 709
1940	2 340	16 421	1 848
1941	669	17 090	-670
1942	-4 836	12 254	-5 958
1943	12 422	24 676	-611
1944	10 791	35 467	3 782
1945	4 738	40 205	8 243

Source: *Annual Reports*

Figure 5.5: OCFAID 1937-1945



Source: *Annual Reports*

An alternative possible interpretation could break this period into two distinct time periods: 1937 to 1941 when the company operated the Hermitage, and 1942 to 1946 when it did not. As with any periodisation, the selection of breaks requires thought. While RLW remained the managing director there was no reason to break the graph at this point since he continued to be the driving force. The company also remained an accommodation provider, with the White Star and Eichardt's Hotels in Queenstown. It had not severed its links with the Mt Cook area, as it continued to operate coaches to the Hermitage, so although the loss of the Hermitage had an important financial impact, RLW's vision remained the same, and its loss should be seen as no more a reason for a new graph than the loss of the Chateau Tongariro in 1931 or Brent's Hotel in 1932.

Cash flows from 1942 to the end of this period were encouraging, and indicate that the business was recovering well, despite difficult trading conditions. The improvement in the graph after 1942 suggests that the Hermitage had been a major drain on the company's cash flows.

5.4 Operations

5.4.1 General Comments

This period was a struggle for the company. Recovery from the Depression was slow. Influenced by their hardships in recent years, customers were slow to spend on extras, such as holidays and transport. The Second World War brought shortages of equipment, resources, staff and customers. Despite these challenges, RLW kept moving the company towards his vision of a nationwide accommodation chain and transportation to the sights of the country by adapting the accommodation it owned and expanding the variety of services it provided.

5.4.2 Air Activities

In February 1937, RLW reported that the air licence had been extended to two further aircraft on the same terms as the present licence, namely British aircraft only, and to operate in the provinces of Otago, Westland and Canterbury.[6] An amalgamation with

Union Airways was discussed, but this did not come to anything as evidenced by Union Airway's failure to extend services to these areas. The licenses prompted the commencement or continued development of Queenstown-Mt Cook Airways Ltd. Despite the licence specifying British aircraft, the company operated an American Waco biplane. The business operated quite successfully until the commencement of World War Two, which caused the company to close as staff and resources were redirected to the war effort.

There was mingling of personal and company assets. A director's minute noted that the company would be charged 30 shillings per hour for the use of the Swallow aircraft, which suggested that it had been used in the past without compensation to RLW as its owner. Conversely, there was no evidence found that RLW personally paid for services to the Swallow that were rendered. The company had been offered ownership of the aircraft when it arrived in June 1936, but a decision had been held over, and not revisited.[7] Other projects were taken on at this stage, and the aircraft was not expected to generate any revenue in its own right, thus providing a poor investment. The directors were also aware of RLW's earlier business failure with the New Zealand Aero Transport Co. Ltd, and would be reluctant to be involved with this aviation venture.

5.4.3 Coaches

Buses suffered from the shortage of parts and spares during the war years. Tyres and fuel were an ongoing difficulty as the war effort had priority over tourism and domestic travel.

5.4.4 Freight Services

Freight services were not mentioned in the annual reports or in the minutes during this period, but they continued to be an important contributor to the continuance of the company, in the same manner that they had ensured the company's survival through World War I.[8]

5.4.5 Accommodation

Accommodation was enhanced by the addition of Eichardt's Hotel in Queenstown in October 1936.[9] Financing was left open according to the minute book, and the details were not apparent at any later date.

The Mortgage Adjustment Commission halved debts owing to the government on the Hermitage rent by £2200 in 1936, reduced the rent, interest on mortgage and postponed principal repayments for two years.[10]

Improvements were made to the Hermitage with funds borrowed from the government. The Hermitage was due to pass back to the government in October 1942, but by mutual agreement it was passed back six months early.[11]

The White Star Hotel in Queenstown was sold to a previous owner in April 1944[i] in favour of developing Eichardt's,[12] which had a waterfront location. The White Star Hotel had been held by the company since 1923 or 1924.[ii][13]

5.4.6 Other Services

Rental cars were investigated in 1937. It was decided that this would be a worthwhile venture, and arrangements were made with Dominion Motors to acquire new cars on payment of £160, that could be traded at the end of one year for another new car on payment of an additional £160. In a short time, the Timaru fleet numbered ten.[14] Mutual Car Rental Company was floated with private capital of £2000 in September 1937. The shareholders were RLW, CS Elms, H Coxhead, HR Wigley (HRW) and AG Wigley. RLW held the majority of shares (1200 of the 2000 £1 shares), but he offered the company a 12-month option to buy 800 of those shares. This again demonstrated the lack of clear separation of the company from RLW. Although the company held no interest in the rental cars at this point, the matters were discussed in directors' meetings and recorded in the company's minute book. RLW's vision was again several years ahead of his time, as this development foreshadowed the growth in demand for private transport that became so popular in the 1950s. This business was run from the Mt Cook company's offices, reducing the costs of the new venture.

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[i] Wigley (1979) dated this event as 1943.

[ii] *Annual Report* 1962 dated the purchase of the hotel as 1927.

Activities in Queenstown were increased by the acquisition of J Edgar's launch service on Lake Wakatipu in December 1936.[15] Two other operators were bought out the following year,[16] and these activities helped the company to obtain further revenue from tourists that they had brought into the Queenstown area. Winter revenue in Queenstown was commented on in the Chairman's Address to the AGM in 1938, and note made of AG Wigley's plans to promote the area for winter activities. The chairman modestly hoped to build up winter revenue to break even.[17]

5.5 The Board

The board underwent some changes in 1937. F Lysaght died in July 1937.[18] Standage reduced his shareholding to 80 shares, and was thus ineligible for re-election,[19] as each director was required by the Memorandum of Association to hold 1000 shares.[20] The board noted with regret that circumstances necessitated his departure from the board.[21]

WJ Sim, a solicitor who had represented the company in a number of legal cases, was invited to act as an advisory director from April 1937.[22] The arrangement remained until Sim died in 1974. The variant on his title to advisory director freed him from an obligation to hold shares, although he eventually became a shareholder in 1964.

CS "Tui" Elms joined the board in 1937. Tui began his career with the company as an office boy, becoming a driver and a mountain guide. He worked as the manager at the Chateau when it was first opened, and then at the White Star Hotel in Queenstown. He then managed the Hermitage from 1936 to 1940.[23] James Campbell was issued 1912 shares as part payment for his Lumsden business, and was appointed to the board at the same time as CS Elms.

In 1938, JG Smith and AG Wigley were appointed to the board. JG Smith was a carpenter who was a considerable creditor of the company. His appointment was probably an attempt to placate his concerns about the amount owing to him, as effectively his debts made him a part-owner of the company. The fact he did not hold shares in his own name would support this assertion, as he should not have been a director without the 1000 shares as per the Articles of Association of the company. AG Wigley was a son of RLW.

Coxhead disposed of all his shares in 1942, thereby becoming ineligible for re-election. No comment was made in the annual report, but oral accounts tell of a falling out between Coxhead and RLW. Coxhead was given the rental car business to see him out of the company.[24]

He was followed the next year by CD Elms, CS Elms and J Campbell. While no reason for the resignations was recorded, it was evident that the company's position was not strong. The Chateau had gone into liquidation, Brents Hotel had been returned to its previous owners, Eichardts Hotel had been sold, the buses were run down, the rental cars had been sold, dividends had not been paid in over ten years, and the future was looking fairly grim. HRW noted in his book that he took over the company in 1946 with "nothing but a few bits of real estate in Timaru, Fairlie and Queenstown, and a few broken down vehicles."[25] The directors' resignations left the company short of the minimum number of directors[iii] (not less than 4 or more than 7).[26] Recruitment of directors at the end of the Second World War would have been difficult. Mrs JC Wigley, RLW's wife, was appointed to meet requirements.[27] She served on the board until 1961.

RLW was the only board member to remain through this period (see Table 5.4). The war years caused major disruptions to staff and supplies, and would have challenged any board operating in the transport and tourism sectors. The turnover in directors could have resulted from a combination of difficult trading times, call-ups to the armed forces, and RLW's fiery personality. In 1945, 34.1% of issued capital was held by the directors. All of this capital was held by the Wigley family, 27.1% of which was held by RLW.

[iii] This count excluded Sim due to his advisory capacity.

Table 5.4: Directors during 1937-1945

Director	Professional background	Full term in office	Shareholding (and year quoted)
RL Wigley	Transport operator	1930-45	21809 (1945)
D Standage	Bank manager	1930-37	80 (1939)
CD Elms	Driver	1930-43	1514 (1943)
H Coxhead	Accountant	1930-42	1270 (1942)
J Campbell	Transport operator	1937-43	1912 (1943)
CS Elms	Hotelier	1937-43	1000 (1943)
WJ Sim	Lawyer	1938-74	Nil
JG Smith	Carpenter	1939-67	Nil
AG Wigley	Livestock agent	1939-41	5000 (1941)
HR Wigley	Pilot	1942-80	4120 (1945)
JC Wigley	Married woman	1944-61	1580 (1945)

Source: Companies Office file

5.6 Economic Environment

Import licensing and exchange controls were introduced in December 1938. The import licensing preferred British suppliers, and exchange controls ensured that government targets could be met.

World War Two generated difficult trading times for both transport and tourism operators. Tourist numbers dropped to just 630 in 1943 (see Figure 5.3 earlier) and recovered only slowly. It was 1950 before tourist numbers again exceeded 10 000 in a single year.

Transport operators faced difficulties in procuring materials. The finest grade crude oil was used for aviation gas for the Air Force, so transport operators had only second grade oil available to them. Tyres were also in short supply. One transport operator travelled the country looking for old chasses to rebuild as new coaches.[28]

Travel restrictions brought about by petrol rationing limited private travel and led to a high number of cancellations for both transport and accommodation. This had a detrimental effect on the Hermitage as few people lived within easy travelling distance, but Queenstown benefited as people were forced to take their holidays locally.[29]

5.7 Competition and Government Involvement

The Homer Tunnel was under construction to provide road access to Milford Sound. This was beneficial to Queenstown, as tourists had a reason to stay longer, and to travel further.

Access to Queenstown was also provided across Lake Wakatipu from the railhead at Kingston by steamer, *TSS Earnslaw*. It was operated by New Zealand Railways, who were in competition with the company.

Union Airways began air passenger and freight services on what was to become the main trunk route in January 1936. The government had also refused them permission to buy a preferred American aircraft, but relented in 1937, when the British government allowed importation of the same American aircraft in the United Kingdom. Union Airways initially flew from Palmerston North to Dunedin, via Blenheim and Christchurch, and added services from Wellington to Auckland in June 1937. It also took over East Coast Airways, based in Gisborne, and flew limited services in that area. While it did not directly compete with the company, RLW would have been aware of its activities, and the inroads it was gaining with air mail contracts, and improving public confidence in flying.

5.8 Conclusion

This period began in difficult circumstances. The depression had taken its toll on the company, and although the situation improved a little the onset of the Second World War created a new set of difficult trading conditions. The constant battle to keep the company operating through these times took their toll on RLW, and his death on 28 April 1946 at 64 years of age was no doubt a consequence of the effort and hours that he committed to the company to fulfil his grand vision of a chain of tourist accommodation and transport running the length of the country. His obituary in *The Timaru Herald* read:

> Mr Wigley was much more than a transport operator – he was an outstanding figure in the tourist world. He was always alive to the possibilities of tourist expansion and did much to popularise the South Island in a life devoted to progress backed by a genuine love of the mountains and outdoors. He was keen on encouragement of a similar appreciation by young people, and did everything possible to bring visits to the snowfields within the reach of secondary school pupils who might otherwise never have had the opportunity of making the trip.[30]

The company had made a bold step at the beginning of this period, to recognise past losses and a more realistic capital position. The capital was halved, and accumulated losses were written off.

During the period, new activities were added, and the company continued to strive towards RLW's vision. The passing of the Hermitage back to government control, while a loss in public profile, had a positive effect on the financial results, and the period closed with the resumption of dividends after a spell of 11 years. The bold action at the beginning led to a good outcome at the end, and RLW left the company to HRW in a reasonable financial position based on the traditional and OCFAID analyses, considering the Depression and the war years had imposed serious difficulties for a business in transport and tourism. The position of the company for the next period was sound: it had real assets with potential to improve, and the necessary licences to operate in a regulated transport environment, despite HRW's assertion that he took over a company of "bits of real estate ... and a few broken down vehicles."[31] Nonetheless, there was a lot of capital expenditure required to improve the business.

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[1] Donleavy, 1994, p.61.

[2] *Annual Report*, 1940.

[3] *Parliamentary Debates*, 24 August 1943, p.1001.

[4] *Annual Report*, 1944 and 1945.

[5] Canterbury Museum, 163/82, Box 140.

[6] Directors' minutes, 5 February 1937.

[7] Directors' minutes, 17 June 1936 and 22 March 1938.

[8] Wigley, 1979, p.127.

[9] *Annual Report*, 1937.

[10] Pearce, 1972, p.97.

[11] *Annual Report*, 1942.

[12] *Annual Report*, 1945.

[13] Wigley, 1979, p.158.

[14] Directors' minutes, 16 July and 9 September 1937.

[15] *Annual Report*, 1937.

[16] Chairman's Address to the AGM, 6 July 1938.

[17] Chairman's Address to the AGM, 6 July 1938.

[18] *Annual Report*, 1937.

[19] *Annual Report*, 1937.

[20] *Memorandum and Articles of Association*, 1929, para. 93.

[21] Directors' minutes, 16 July 1937.

[22] *Annual Report*, 1937.

[23] Thomson, 1998, pp.149-150.

[24] Interview with Mrs HAP Aubrey, March 2000.

[25] Wigley, 1979, p.141.

[26] *Memorandum and Articles of Association*, 1929, para.88.

[27] *Annual Report*, 1944.

[28] Laugesen, 2001, p.112.

[29] *Annual Report*, 1944.

[30] *The Timaru Herald*, 29 April 1946, p.4.

[31] Wigley, 1979, p.141.

Chapter 6

The Second Entrepreneur: Expansion on the Snow 1946-1955

6.1 Introduction

This period began with HRW taking over from RLW as managing director. It focused on reviving the business following the hardships of the Depression and World War Two. Extensive efforts were made to develop winter activities, focused on the snow at Queenstown, to smooth out fluctuations in the revenue throughout the year. Coronet Peak was developed as a new ski area, which brought new interest to Queenstown as a winter resort. An accommodation lodge was built in the MacKenzie basin at Lake Ohau to meet the accommodation needs of the company after the Hermitage passed back into government control. The balance sheet from 1946 is reproduced below (see Figure 6.1).

The period closed with the separation of aviation services from the company into a partly-owned subsidiary. This change attracted new capital from people involved with the company, and notionally freed the air services to make decisions independent of the parent company. Its effect on the parent company was to remove risks and early losses from the parent company's balance sheet.

Figure 6.1: Balance Sheet as at 31 March 1946 (in Pounds)

Current Assets			Current Liabilities		
BNZ and Cash	1 433		Sundry Creditors	9 713	
Sundry Debtors	8 348		Provision Income Tax	2 960	
Stocks on Hand	1 543	11 324	Provision Proposed Dividend	1 983	9 713
Investments			Fixed Liabilities		
NZ Govt Loans	4 500		Debentures	4 000	
Sundry Investments	1 216		Mortgages	16 750	20 750
Mortgage	6 750	12 466	Total Liabilities		30 463
Fixed Assets			Owners' Equity		
Plant, Furniture Fittings	14 692		Paid Up Capital	39 665	
Land and Buildings	31 209	45 901	Appropriation Account	3 563	43 228
Goodwill		4 000			
		73 691			73 691

Source: *Annual Report*, 1946

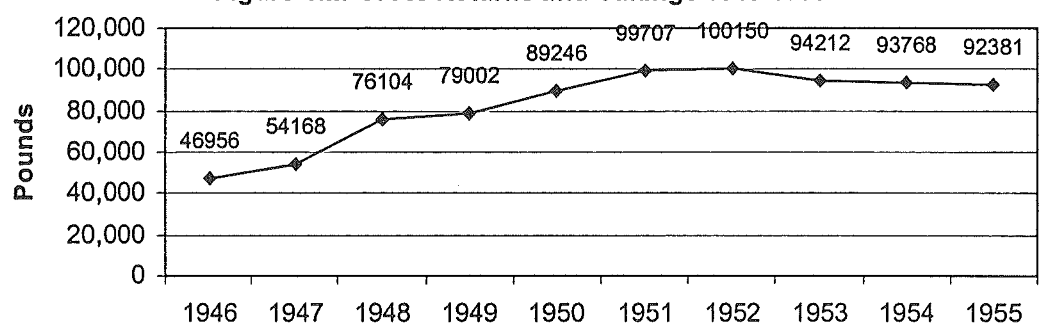
6.2 Traditional Analysis

Gross profit and takings were renamed "gross returns and takings". The Directors' Report compares gross profit and takings of 1945 with gross returns and takings of 1946 as though the two figures were calculated on the same basis, and for this analysis, gross returns and takings are treated as a proxy for sales, as was gross profit and takings.

Gross returns and takings throughout this period made a steady recovery from the low levels experienced during the war years, and tapered off from 1951 (see Figure 6.2). Travel patterns of returned servicemen would have boosted turnover, but tapered off as these people settled back into civilian life. The drop in gross returns and takings in 1953 was attributed to the sale of Eichardt's Hotel in December of the previous year while Lake Ohau Lodge had yet to establish itself.

Relative portions of revenue contributed by the different activities of the company were likely to have changed due to the ascendancy of the private motor car as a preferred mode of transport. Data of this nature was not published in the annual reports until 1971, and was not found in the course of research. Removal of petrol rationing in mid-1950[1] assisted the change of preference from mass transport to private cars. Private cars registered grew by 77.7% between 1946 and 1955.[2] This change in personal transport was to impact significantly on the services that the company offered.

Figure 6.2: Gross Returns and Takings 1946-1955

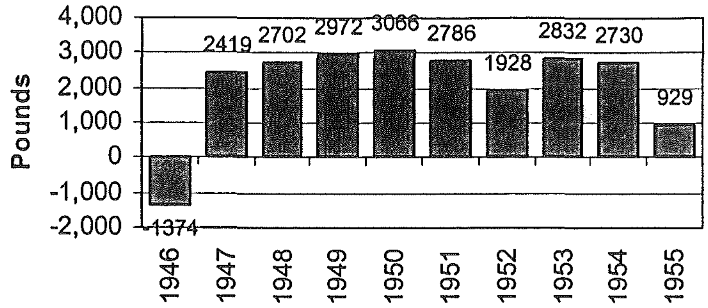


Source: *Annual Reports*

Conditions during the war had resulted in maintenance on the company's vehicles falling behind, due to shortages of parts and reduced staff levels. A small profit was reported in 1946 (£2686 compared with £5226 in 1945), which reflected attempts to catch up on maintenance and to return staffing levels to an adequate level.[3] Although the Annual Report in 1946 showed a small profit for the period, goodwill was not written off from that amount, but taken from the appropriation account. This was standard practice at the time, but it has been amended to show the goodwill write-off as an expense in Figure 6.3 for consistency with later periods and current practice. This restatement has converted the small profit into a small loss for the year.

Despite a lower level of gross return and takings in 1953 and 1954, the company's profit was in line with other years during this period.

Figure 6.3: Net Profit after Tax 1946-1955



Source: *Annual Reports*

Dividends continued to be paid throughout this period, at 5% in 1946 and 1947, rising to 6% for the following years. The dividend was maintained at 6% in 1955, despite profit for the year of only £929, by a transfer from general reserves of £1000. Return on assets (profit/total assets) was constantly low. Inflation, based on increase in the consumer price index, averaged 4.92% in this period, compared with just 2.57% return on assets. Return on equity (profit/equity) only equalled or exceeded the dividend rate between 1947 and 1950 (see Table 6.1).

Table 6.1: Return on Assets and Return on Equity 1946-1955

Year	Profit / Total Assets (Pounds)	Profit / Equity (Pounds)
1946	(1374) / 73691 = (1.9) %	(1374) / 43228 = (3.2) %
1947	2419 / 81759 = 3.0 %	2419 / 44128 = 5.5 %
1948	2702 / 81500 = 3.3 %	2702 / 45038 = 6.0 %
1949	2972 / 80653 = 3.7 %	2972 / 45593 = 6.5%
1950	3066 / 81646 = 3.8 %	3066 / 47628 = 6.4 %
1951	2786 / 86820 = 3.2 %	2786 / 49797 = 5.6 %
1952	1928 / 85676 = 2.3 %	1928 / 55583 = 3.5 %
1953	2832 / 76514 = 3.7 %	2832 / 55998 = 5.1 %
1954	2730 / 84747 = 3.2 %	2730 / 56310 = 4.8 %
1955	929 / 83944 = 1.1 %	929 / 54822 = 1.7 %

Source: *Annual Reports*

This period is the first in this analysis when the debt to equity ratio remained below 1 throughout the period (see Table 6.2). This ratio increased in the next period, and only returned to a favourable level in the 1980s.

Table 6.2: Debt to Equity Ratio 1946-1955

Year	Debt / Equity (Pounds)	Percentage
1946	30 463 / 43 228	70%
1947	37 631 / 44 128	85%
1948	36 462 / 45 038	81%
1949	35 060 / 45 593	77%
1950	34 018 / 47 628	71%
1951	37 023 / 49 797	74%
1952	30 093 / 55 583	54%
1953	20 516 / 55 998	37%
1954	28 437 / 56 310	51%
1955	29 122 / 54 822	53%

Source: *Annual Reports*

The working capital ratio in this period (Table 6.3) was more realistic than the previous period, as the annual reports showed the distinction between current and non-current items. The level of working capital was quite low, and showed only minor improvement in the last three years of this period. It is generally considered a poor indicator when this ratio falls below 100%, which implies that the company's financial security was not assured for most of this period.

Table 6.3: Working Capital Ratio 1946-1955

Year	Current Assets / Current Liabilities (Pounds)	Percentage
1946	11 324 / 9 713	117%
1947	7 387 / 17 881	41%
1948	9 965 / 16 712	60%
1949	10 998 / 16 310	67%
1950	8 285 / 15 768	53%
1951	12 012 / 19 273	62%
1952	17 247 / 20 343	85%
1953	13 319 / 10 766	124%
1954	14 202 / 14 687	97%
1955	14 956 / 15 372	97%

Source: *Annual Reports*

A resolution passed in June 1950 to open a separate bank account with the Post Office Savings Bank for the General Reserve and Income Tax Reserve, and to transfer cash as it was available,[4] disclosed a funds accounting tool that failed to maximise the interest earned. This suggests possible cash flow difficulties that this move tried to address. Trustees were HRW and Spence, the company secretary. Such an account did not appear on the balance sheet in 1951, nor in subsequent years, although a separate Post Office Savings Bank account had been disclosed in the 1930s. An assessment of the cash balance throughout the 1950s would suggest that surplus funds were never available to transfer to the separate account. Oral accounts also tell of an ongoing shortage of ready cash.[5]

6.3 OCFAID

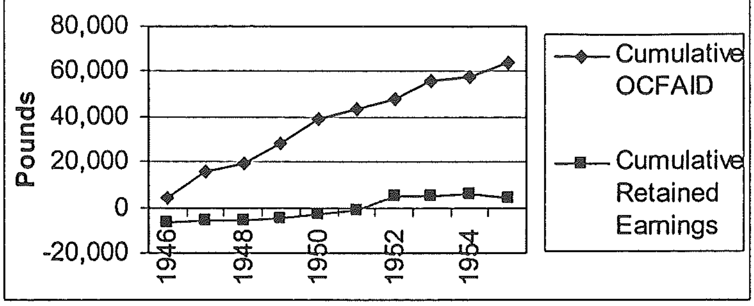
Operating cash flows in this period were consistently positive. Growth in retained earnings was slow, but the situation improved from the beginning of the period when retained earnings were negative, to close the period with accumulated retained earnings of £4182 (see Table 6.4 and Figure 6.4). These positive results stand in contrast to the two earlier periods were there was clear evidence of financial distress. The company appeared to be recovering from the previous trials of the Depression and World War Two during this period.

Table 6.4: OCFAID 1946-1955

Year	OCFAID (Pounds)	Cumulative OCFAID (Pounds)	Cumulative retained earnings (Pounds)
1946	4 116	4 116	-6 787
1947	11 483	15 599	-5 887
1948	3 676	19 275	-5 602
1949	8 986	28 261	-5 047
1950	10 448	38 709	-3 012
1951	4 453	43 162	-843
1952	5 061	48 223	4946
1953	7 427	55 650	5 358
1954	1 732	57 382	5 670
1955	6 395	63 777	4 182

Source: *Annual Reports*

Figure 6.4: OCFAID 1946-1955



Source: *Annual Reports*

6.4 Operations

6.4.1 Ski Activities

Activities centred on establishing skiing at Queenstown, both as a venture on its own, and as a means of utilising idle capacity in the winter months. Aviation interests were never far from HRW's mind, and developments were under way for the commercial activities that signalled the beginning of the next period.

Winter sports were a strong focus in this period. These were developed to generate some traffic in a traditionally quiet period. Once the Hermitage was back under the government's control, it became clear that the government was not interested in continuing to develop the winter sports. This would put the company back into the same position it was in twenty years earlier, with idle equipment and staff during the winter months.[6] A ski field was established at Coronet Peak to attract tourists to Queenstown in winter. This project was an interest of Sandy Wigley (AGW), who had been the branch manager prior to enlisting in the Air Force. He had been the branch manager since 1938, and, being a keen skier, had experimented with different sites in the area. Coronet Peak was eventually settled on, and the installation of a rope tow investigated. Bill (later Sir William) Hamilton was approached to design and build a rope tow. As was customary for the company, any spare staff were sent to Queenstown to help with the project.[7] It was opened to the public for the winter of 1947.[8]

Development of the Queenstown ski area was assisted by the local council and central government. A grant from the government's Tourist Department was received in May 1949 for £400 towards building the road to Coronet Peak.[9] Local government assisted later with widening and maintaining the road with funding made available from the Main Highways Board.[10]

Coronet Peak was declared a recreation reserve under the Tourist and Health Resorts Act 1952 in 1952.[11] This status transferred responsibility for the area to the Lands Department, thereby limiting the government intervention that the company had experienced from several departments. A further advantage was protection of the company's operations from competition.

New Zealand Ski Championships were held at Coronet Peak in 1948[12] and 1950.[13] Upgrading of the cafeteria and conveniences, and remetalling of the road were justified in 1950 for the upcoming national championships.[14] The government took over the Coronet Peak road in 1955,[15] releasing the company from the ongoing costs of maintenance.

6.4.2 Air Activities

While the company was not yet operating any public air services, an aircraft, a BA Swallow, had been in use since prior to the war for executive and company transport. It facilitated visiting remote locations, such as the Hermitage, and made it much easier for RLW to stay in touch with the whole operation. The Swallow[i] was lost in a flood at the Saltwater Creek airfield during World War Two.[16] A Tiger Moth was bought by the company from the War Assets Disposal Board as a replacement.[17] It was decided in March 1950 to sell the Tiger Moth and replace it with a Miles Whitney Straight.[18]

The first steps towards developing air services, such as aerial topdressing and rabbit poisoning, began in 1953. Air licences were applied for in September 1953,[19] and light aircraft were purchased in 1954. Air services were separated from the parent company into a separate company from 1956, thereby isolating the risk involved with these services, leaving the parent company to continue its more traditional roles.

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[i] The Swallow was owned by RLW. See Chapter 6.

6.4.3 Coaches

Four new buses entered service towards the end of the 1947 financial year.[20] Two further buses were added the following year,[21] and another two in 1950.[22] Road transport was therefore still a significant contributor to the company's activities.

Fares continued to be regulated by the government. Approval was sought in May 1949 to raise the fare for the Christchurch to the Hermitage sector, but the Committee challenged this request, asking that the company justify why it should not lower some of its fares. Here is an example of the conflicting relationship that the company had with the government. While the government allowed private enterprise to provide transportation, it tried to dictate what level of profitability was acceptable. Increased fares were approved to take effect from 1 July 1949.[23]

An increase in costs was estimated at £4850 in March 1951 consequent to a wage increase of 15%. An increase in fares of 10% was sought to cover these costs.

6.4.4 Freight Services

Freight services continued to operate in the background of the more glamorous activities. A public works contract was renewed in the Fairlie and Tekapo area to support the hydroelectric projects in the area. An additional truck was added to the fleet in 1950.[24] These hydroelectric projects were virtually completed in 1953,[25] leading to the loss of this revenue.

6.4.5 Accommodation

Accommodation was graded by local licensing authorities to determine accommodation charges for each establishment. Eichardt's Hotel in Queenstown was extensively renovated in 1948,[26] and given a 2-star rating in May 1949. The board challenged this to gain a higher rating to secure higher accommodation rates.[27]

The financial position of Eichardt's Hotel was discussed in March 1951,[28] and it was sold in December 1951[ii] as the board no longer thought an interest in accommodation

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[ii] Wigley (1965) dated the sale as 1950, but the directors' minutes show that it occurred in 1951.

in Queenstown was necessary. An over-run of repair costs contributed to its demise. Staff quarters next to the hotel had been destroyed by fire in July, and the managers resigned in August 1951.[iii]

A lodge was built at Lake Ohau from huts bought from the Public Works Department, following completion of the hydroelectric project at Lake Pukaki.[29] Lake Ohau Lodge accommodated 60 guests. It provided an alternative to the Hermitage, which had returned to government control in 1942. Lake Ohau Lodge claimed an advantage over the Hermitage, by being just 16 miles from the main road, against the Hermitage's 60-mile access road, but tourists still wanted to make the trip to the Mt Cook village to see the mountain. A ski area was developed at Ohau to provide an incentive for people to stay at the Lodge in the winter months.

Building the Lake Ohau Lodge had caused a drain on cash resources, and the company sought to raise mortgages against their properties to finance this requirement. The effect of this is seen in the 1954 balance sheet as mortgages rise from £7750 to £11750.[30]

6.5 The Board

HRW was appointed managing director after the death of his father, RLW, in April 1946. The vacancy on the board left by RLW's death was filled by JW Grant.[31] Grant resigned from the board in 1952. He was HRW's uncle, and a sheep farmer at Grays Hills Farm in South Canterbury.

The number of directors was increased in 1946 to five, with the appointment of LR Jordan, a retired bank manager.[32] Jordan did not hold the 1000 shares minimum required of all directors, and no note of this nor explanation was made in the directors' minutes.

[iii] It was sold to the Buckham brothers, who sold it to Tourist Hotel Corporation (Wigley, 1979). Public interest went against government building in Queenstown, and the assets were sold back to the company in 1970.

AK Rollinson was appointed to the board following Grant's resignation in 1952. Rollinson had been the bus manager of the company for some time.

The changes to the board are summarised in Table 6.5.

Table 6.5: Directors during 1946-1955

Director	Professional background	Full term in office	Shareholding (and year quoted)
HR Wigley	Pilot	1942-80	4880 (1955)
WJ Sim	Lawyer	1938-74	Nil
JG Smith	Carpenter	1939-67	275 (1955)
JC Wigley	Married woman	1944-61	1580 (1955)
JW Grant	Farmer	1946-51	3500 (1955)
LR Jordan	Bank manager	1947-65	290 (1955)
AK Rollinson	Bus driver	1952-63	1025 (1955)

Source: *Annual Reports*, Companies Office file

The company secretary, Spence, was terminated in September 1950 and GA Barron was appointed in his place from 1 November 1950.[33] Barron resigned in September 1952, and was replaced by GA Duncan, who stayed in the role until his death in 1967.

Satisfaction with results for 1949, an increase in profit of £270, led to bonus payments amounting to £250; £100 to HRW, £50 each to Rollinson, bus manager; Spence, company secretary; and Brown, the Queenstown branch manager.

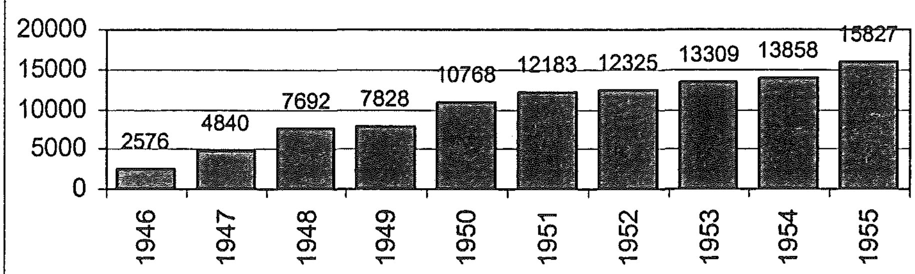
The board members held 14% of the total shares in 1955. Shares held by RLW's Estate and other members of the Wigley family totalled 32 709, or 40.5%, which clearly demonstrated that the company was still in the control of the Wigley family.

6.6 Economic Environment

Following World War Two, New Zealand experienced an unusually low level of unemployment.[34]

Tourist numbers recovered in this period. Beginning with only 2576 tourists visiting the country in 1946, the numbers tripled to 7828 in 1949 and doubled again to reach 15 827 in 1955.

Figure 6.5: Number of Tourists to New Zealand 1946-1955



Source: *New Zealand Official Yearbooks*

The New Zealand currency was revalued to parity with the pound sterling in August 1948 under the Labour government.[35] This could have limited the growth of tourist numbers in 1949.

A Capital Issues Committee was formed by the Government in 1952 to screen any plans by the private sector to raise over £10000 in any 12 month period. It aimed to limit the total amount of borrowing, and to control the interest rates paid.[36] This did not directly affect the company, as it was attempting to reduce its level of indebtedness during this period. The development of air services was at an experimental stage with most of the work being done by existing employees with resources already available to the company. There was no real separation of the two entities, as demonstrated by bus employees who also worked on the skiplane prototype.[37] When Mount Cook Air Services Ltd (MCAS) was formed as a separate company, its capital was only £6500 – well below the threshold of this committee.

6.7 Competition and Government Involvement

The government unified domestic air services by nationalising several independent operators under the auspices of the National Airways Corporation (NAC), which began services in April 1947.[38]

Aviation developments were not restricted to passenger services. Experiments in aerial topdressing were proving successful, and commercial activities began in 1949.[39] These became an important part of the activities of Mt Cook Air Services Ltd in the next period.

The Air Services Licensing Act was passed in 1951.[40] This Act established the Air Services Licensing Authority which determined applications for granting, removal or transfer of air service licences. Complete control of national air services were previously vested in the National Airways Corporation (NAC) by the New Zealand National Airways Act 1945, but NAC was enabled by the New Zealand National Airways Amendment Act in 1948 to contract others to conduct services.[41] The Licensing Authority could grant licences to private airlines provided they were able to show that such services were "necessary."[42]

The Homer Tunnel on the Milford road opened in 1953, enabling tourists to travel overland to Milford Sound.[43] The MCG would have benefited by the increased numbers of tourists travelling through Queenstown, and using their transport services. RLW had anticipated the opening of this tunnel in the 1930s with the Cascade Creek Camp, but the tunnel was not completed under the Depression work schemes, and work was only recommenced in 1951.[44]

The tourism sector was affected by the loss of two hotels to fire. The Milford Hotel was destroyed in 1950, and the Franz Josef Glacier Hotel in 1954. Both hotels had been operated by the Tourist and Publicity Department. Hotels were separated from the Department into a separate corporation, the Tourist Hotel Corporation, in 1955 to take advantage of skills that were provided by directors with private sector experience of the industry.

6.8 Conclusion

During this period, conditions eased for individuals and for businesses. As individuals recovered financially from the pressures of the Depression and World War Two, companies also benefited as demand for goods and services increased. The traditional analysis and the cash flow analysis both indicate a company in recovery, as echoed by the country as a whole.

Repairs and maintenance were undertaken as parts, funds and labour became available, in addition to expansion into winter sports. The vision for the company was beginning to be readdressed following years of struggle for survival. HRW brought new energy to the leadership role. His passion for, and knowledge of, aviation would come to fruition in the next period.

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[1] Gould, 1982, p.68.

[2] *New Zealand Official Yearbooks*.

[3] *Annual Report*, 1946.

[4] Directors' minutes, 27 June 1950.

[5] Interview with D Middleton, February 2000.

[6] Wigley, 1979, p.89.

[7] Wigley, 1979, pp.86-96.

[8] *The Press*, 9 July 1947, p.8.

[9] Directors' minutes, 17 May 1949.

[10] *Otago Daily Times*, 7 July 1952.

[11] *Otago Daily Times*, 21 April 1952.

[12] *AJHR*, 1948, H-2, p.13.

[13] *AJHR*, 1950, H-2, p.16.

[14] Directors' minutes, 29 March 1950.

[15] Directors' minutes, 3 March 1955.

[16] Wigley, 1979, p.25.

[17] Wigley, 1965, p.108.

[18] Directors' minutes, 29 March 1950.

[19] Directors' minutes, 24 September 1953.

[20] *Annual Report*, 1947.

[21] *Annual Report*, 1948.

[22] *Annual Report*, 1950.

[23] Directors' minutes, 17 May and 14 June 1949.

[24] *Annual Report*, 1950.

[25] *Annual Report*, 1953.

[26] *Annual Report*, 1948.

[27] Director's minutes, 17 May 1949.

[28] Director's minutes, 13 March 1951.

[29] Wigley, 1979, p.161 and directors' minutes, 3 April 1951.

[30] *Annual Report*, 1954.

[31] *Annual Report*, 1946.

[32] *Annual Report*, 1946.

[33] Directors' minutes, 12 September and 9 November 1950.

[34] Gould, 1982, p.55.

[35] Gould, 1982, p.52.

[36] Gould, 1982, p.72.

[37] Wigley, 1979, p.185.

[38] Aimer, 2000, p.11.

[39] Gould, 1982, p.81.

[40] Watson, 1996, p.225.

[41] NZOYB, 1946, 1947-49, 1951.

[42] Watson, 1996, p.225.

[43] Watson, 1996, p.199.

[44] *Wises New Zealand Guide*, 1987.

Chapter 7

Entrepreneurial Growth:

Expansion in the Air 1956-1965

7.1 Introduction

The Mount Cook Group benefited from the development of aviation, championed by its second managing director, Harry Wigley. Drucker[1] identifies innovation as the tool of entrepreneurship. Innovation was amply demonstrated by this company throughout its history, and was shown in this period by the design and development of retractable skis for the small aircraft used in the Mt Cook area. This was a real breakthrough in tourist activities, allowing visitors to move in minutes from a grass airstrip to virgin snow fields, and to this day this is seen as a drawcard to the country. The company's financial position is shown in Figure 7.1 below.

Figure 7.1: Balance Sheet as at 31 March 1956 (in Pounds)

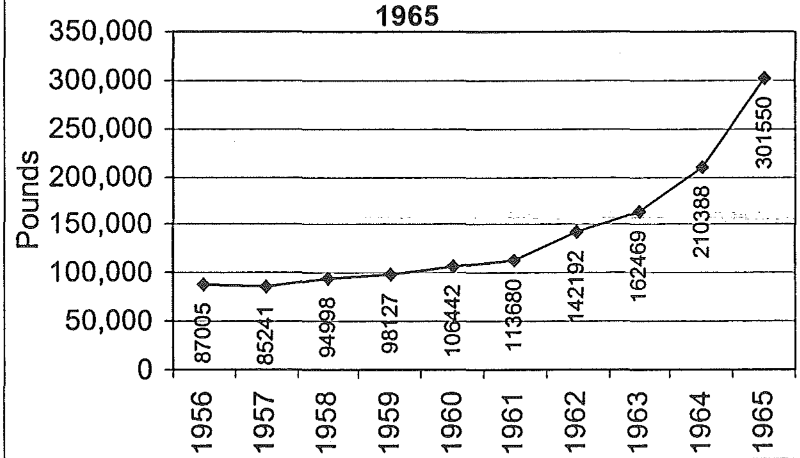
Current Assets			Current Liabilities		
Cash on Hand	177		BNZ	9 755	
Sundry Debtors	12 962		Sundry Creditors	12 402	
Stock on Hand	1 098	14 237	Provision Income Tax	5 210	
Investments			Proposed Dividend	2 417	29 784
NZ Govt Loans	4 510		Fixed Liabilities		
Sundry Investments	7 084		Debentures	2 000	
Mortgage	3 708	15 302	Mortgages	11 750	13 750
Fixed Assets			Total Liabilities		43 534
Plant, Furniture Fittings	44 346		Owners' Equity		
Land and Buildings	27 078	71 424	Paid Up Capital	40 290	
			Reserve	15 000	
			Appropriation Account	2 139	57 429
		100 963			100 963

Source: *Annual Report*, 1956

7.2 Traditional Analysis

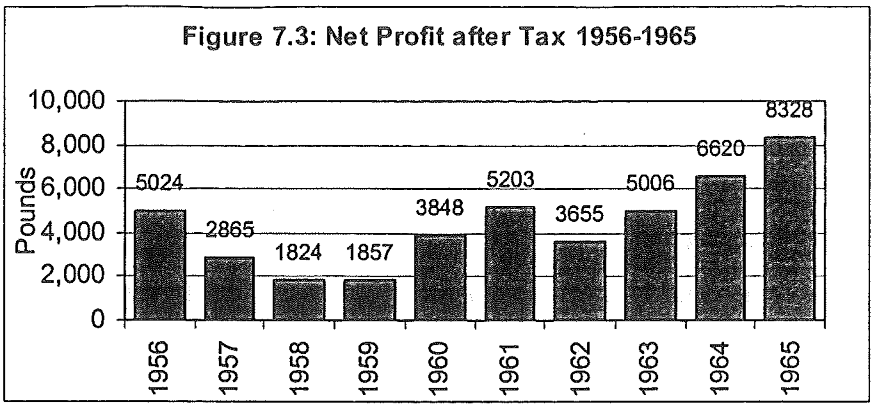
This period showed healthy growth in gross return and takings recorded in nominal pounds (see Figure 7.1). Gross return and takings grew from £87 005 in 1956 to £301 550 in 1965, an increase of 246%, averaging a growth rate of 13.2% per annum. Growth in gross return and takings was impressive for the last three years, being 14%, 29% and 43% respectively, but 1962 was a year with mixed results. Despite growth in gross return and takings of 25%, there was a drop in profit of £1548, 30% below last year's profit (see Figure 7.2).

Figure 7.2: Gross Returns and Takings 1956-1965



Source: *Annual Reports*

Net profit after tax showed a less healthy picture. It increased by only £3304, from £5024 to £8328, averaging £4423 per annum (see Figure 7.3). Compared to an average asset base of £129 526, this represents a return on total assets of 3.4% per annum. Return on total assets each year (profit/total assets) was below the dividend percentage. Dividends were paid each year from profits, with the exception of 1958 and 1959, where profit was insufficient to cover the dividend, and retained profits were reduced to maintain the 6% dividend payout made in previous years. The period began with a slump in net profit after tax, but for the last three years of this period there was steady growth, which investors would have seen as encouraging.



Source: *Annual Reports*

The willingness of investors to take up shares was contradicted by the movement in the debt/equity ratio during this period, which varied from 50.7% to 127.8% (see Table 7.1). During 1962 the company issued further shares, and this increase in capital indicated a level of investor confidence which the debt/equity ratio did not justify. Only 4419 shares were issued at this stage, being the balance of unallotted capital, and the issue was taken in full by Hester Wigley, HRW's sister; Leslie Jordan, a director of the company; Betty Jordan, his wife; and HRW himself. Given this shareholding, it is unlikely a financial analysis was done at this stage, but cash paid for shares on faith in the company, its leader and the underlying concept. The debt/equity ratio rose above 1 in 1964 and 1965 (it was 0.996 in 1962), signalling that external debtors had the potential to control the group (see Table 7.1). Further shares issues in 1964 and 1965 were insufficient to improve this declining ratio. Despite this indicator, a conventional analysis of the business would have shown these shares to be a secure investment. An increase in the dividend rate, from 6% to 8% in 1962, would also have inspired confidence.

Table 7.1: Debt to Equity Ratio 1956-1965

Year	Debt / Equity (Pounds)	Percentage
1956	43534 / 57429	76%
1957	38428 / 57429	63%
1958	33571 / 60282	56%
1959	30256 / 59722	51%
1960	31835 / 61153	52%
1961	43141 / 63939	68%
1962	66457 / 66704	100%
1963	52615 / 68309	77%
1964	103695 / 81129	128%
1965	151739 / 120447	126%

Source: *Annual Reports*

This period showed a poor level of working capital (see Table 7.2). This ratio explains to some extent the comments of staff that the company was always scratching for cash, as the working capital was clearly insufficient.

Table 7.2: Working Capital Ratio 1956-1965

Year	Current Assets / Current Liabilities (Pounds)	Percentage
1956	14 237 / 29 784	48%
1957	14 906 / 25 828	58%
1958	19 748 / 20 971	94%
1959	11 978 / 17 656	68%
1960	12 021 / 19 235	62%
1961	16 185 / 30 541	53%
1962	19 721 / 36 657	54%
1963	20 616 / 26 115	79%
1964	30 609 / 66 495	46%
1965	49 580 / 70 498	70%

Source: *Annual Reports*

7.3 OCFAID

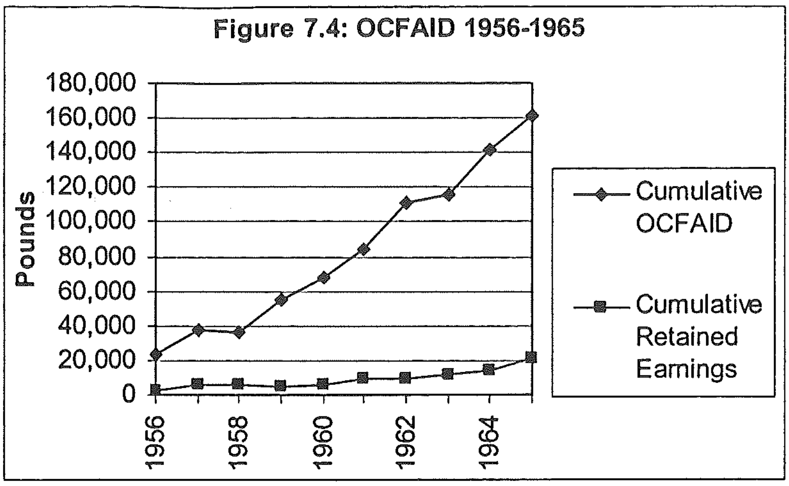
This period began in 1956, when the air services were set up as a subsidiary, Mount Cook Air Services Ltd, in which MCG held 21% of the £15 000 capital.[i] The subsidiary did not require consolidation with the Mount Cook parent's financial reports. This had two effects on the parent company's reports: first, it removed the initial losses from the parent's performance reports, thereby retaining investor confidence, although the parent company was still privately held at this stage. Second, it removed the associated assets and liabilities from the parent's balance sheet. Large amounts of capital were required for aircraft, and considering the risk involved in the types of flying undertaken due to the mountainous terrain and multiple landings and takeoffs for topdressing work, it was perhaps preferable to set this interest aside until the air operation had proven itself, was profitable and therefore could be included in the parent's reports without adversely affecting overall performance. There were only ever five shareholders in Mount Cook Air Services Ltd: Struan Roberston, the general manager and pilot, held 13% of the shares; Don Middleton, the operations manager and pilot, held 33%; Isabella/Isla Wigley, HRW's wife, held 4%; Harry Wigley, the managing director, held 29%; and Mount Cook and Southern Lakes Tourist Company Ltd itself, held 21%. The close shareholding suggests that during this period Mount Cook Air Services Ltd was a separate entity in name only. Although it had its own board, MC Air Services was set up by the parent company, had a large overlap with its own directors and the board of the parent company with HRW as the permanent sole governing director,[2] and with HRW as the driving force behind the enterprise. Its eventual absorption into the parent in 1965 provides further evidence.

Table 7.3: OCFAID 1956-1965

Year	OCFAID (Pounds)	Cumulative OCFAID (Pounds)	Cumulative retained earnings (Pounds)
1956	23 772	23 772	2 607
1957	13 320	37 092	6 055
1958	-786	36 306	5 460
1959	18 859	55 165	4 900
1960	12 172	67 337	6 331
1961	17 238	84 575	9 117
1962	26 714	111 289	9 672
1963	4 167	115 456	11 277
1964	26 540	141 996	14 097
1965	19 771	161 767	20 915

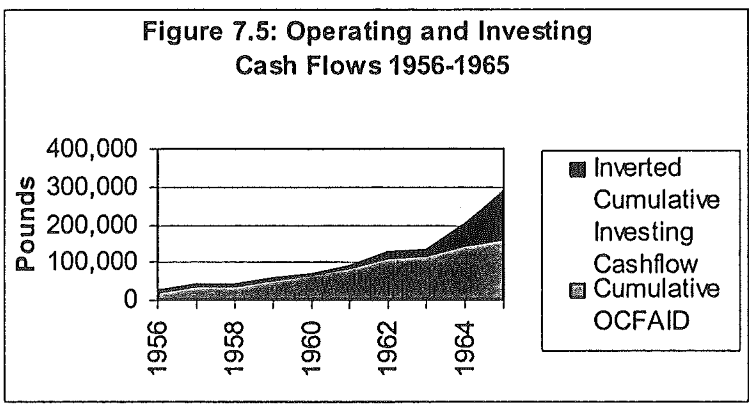
Source: *Annual Reports*

[1] Initial capital was £6500, and increased to £15 000.



Source: *Annual Reports*

The positive growth in OCFAID showed that the firm's operating cash inflow consistently exceeded its operating outflows. Small increases in cumulative OCFAID in 1958 and 1963 show that these years were less successful, but the company had a healthy trajectory from a cash flow point of view.



Source: *Annual Reports*

The cash flow analysis can be extended to look at the other two aspects of cash flow: investing and financing. These reveal where the cash generated from operations was being used by the firm. Investing cash flow was consistently negative during this period, and exceeded the positive inflow generated by operations (see Figure 7.4 and Table 7.3). The investing cash flow was consistently negative in this period, and to show the significance of this cash outflow relative to the operating cash inflow, the investing cash flow has been inverted to show the gap between the inflow and the outflow. As can be seen in the graph, the outflow consistently exceeded the operating inflow, which meant that the investing activities were consuming all the cash that operations generated, and there was still a shortfall that had to be met through financing inflows to maintain the same net cash position. This situation was not sustainable in the long term, and the injection of further financing cash flow in 1962, 1964 and 1965 would suggest that funds were needed from outside the group to maintain its rate of growth.

The business could not justify the acquisition of further assets with these cash flow results. At no time during this period did the return on assets exceed the dividend rate paid. The level of expansion and investment in assets resulted in the need for further cash injections, which came largely from issuing more shares.

The directors' minutes support the importance of the cash flows.[3] They indicate a constant search for funds for the capital expansion to which the company had committed itself. HRW was visionary in outlook, and the details were an afterthought, to be sorted out as necessary. An example of this is provided by the increase in secured debentures in 1962 arising from a debenture issued to JC Wigley, HRW's mother, for £4000 in October 1961, which was raised to pay the 25% deposit on the first DC3 (total cost £16 500). The money always seemed to come <u>after</u> the ideas and the commitment, but it did materialise. This point is particularly clear when compared with the period following HRW's death, when the board focused on the financial aspects and lost sight of its long-range vision.

7.4 Operations

7.4.1 General Comments

Mt Cook & Southern Lakes Tourist Co. Ltd celebrated its fiftieth anniversary in 1962 with a longer style of annual report of four pages in a printed cardboard cover, and included photographs for the first time. TEAL (later Air New Zealand) already included photographs in its annual reports in black and white, with one colour, and Transport (Nelson) Holdings Ltd included a photograph in 1959 of its twenty-first anniversary party and photos of its operations. Inclusion of photographs indicated a change in attitude towards the role of the annual report. Its new function expanded from the simple provision of accounting data, to providing a more complete "picture" of the company, and movement towards promoting the company. From this year forward, the reports followed a longer, more detailed format, which foreshadowed the public listing of the company in 1964.

The company's head office had been located in Timaru since 1919, but increasing services based in Christchurch demanded that a move to Christchurch be considered. This was first addressed in the *Annual Report* of 1963, and a suitable property was bought in Riccarton Road in September 1963. Henceforth head office activities were gradually moved to Christchurch.

7.4.2 The Airline

Acknowledgment of domestic airline developments was made in the 1961 *Annual Report*, which was undertaken as a part of the parent company, but no indication was given of the performance of Mount Cook Air Services, or even a reminder that the parent company had an interest in this enterprise. Commercial passenger flights were introduced by the parent company in 1961 as an alternative to bus services. The airline received a great deal of cooperation from the National Airways Corporation (NAC), the government's national domestic airline. The first plane acquired for the scheduled flights was purchased from NAC in October 1961, with guarantees that NAC would purchase the aircraft back if Mount Cook's efforts were unsuccessful.[4]

A competitor, Southern Pacific Airlines of New Zealand (SPANZ), which operated from 1960 to 1966, provided a challenge to the airline's position in the South Island. Mount Cook Air Services Ltd held a licence to fly the Christchurch to Queenstown sector, which was not being exercised. The interest in this route from SPANZ spurred the company to consider chartering aircraft to fend off the threat of competition at the end of 1959. Despite concerns for the effect on coach services, air services were begun to prevent losing the licence and associated revenues to SPANZ. There was widespread public concern that with Reg Ansett, an entrepreneur from the Australian transport companies, Ansett Transport Industries Ltd and Ansett Airlines Australia, supporting SPANZ, it could afford to operate through a loss-making period, at the expense of running New Zealand-owned businesses into receivership. In fact, SPANZ met its fate before this occurred, going into receivership itself in 1966.

A second DC3 was obtained in 1964 to extend Mount Cook's airline services. This plane also was acquired from NAC, who requested 15,000 shares in MC&SLTC in exchange. There were potential benefits for both parties to this non-cash arrangement, but Aimer asserts that ministerial intervention prevented the shareholding by NAC at this stage.[5] The aircraft was eventually purchased with a cash deposit and a series of instalment payments over four years. It entered service in October 1964, but its payment details were not settled until March 1965.

7.4.3 Air Activities

HRW's entrepreneurial contribution in this period is clear. Before World War Two, much work was done via Queenstown-Mt Cook Airways Ltd to raise awareness of and confidence in air travel. During the 1950s, after the coach services had been upgraded following the difficult war years, air services were begun in the agricultural area. Skiplanes were invented, creating a new product for which a new market had to be developed. In terms which Schumpeter[6] and Carland et al[7] identify, the New Zealand version of the skiplane with retractable skis was a hallmark of entrepreneurship.

Mount Cook Air Services Ltd undertook two types of flying: agricultural work including topdressing, rabbit poisoning, and later dropping materials for DOC huts, and flightseeing work. An unusual enterprise was undertaken in 1957, with the filming of *Cinerama South Seas Adventure* by Carl Dudley.[8] One of the pilots, Don Middleton, also played a key role as an actor in this film. Modifications to aircraft were required to fit cameras and other equipment, demonstrating the ability of the Air Services staff to meet any challenge presented.

Mechanical skills were further extended by development of the retractable skis for the Auster aircraft, which was an important breakthrough for the company. HRW wanted to be able to take tourists to the glaciers for them to see the sights without having to walk for several hours. Although skiplanes were already in use in the Northern hemisphere, Mt Cook needed retractable skis as there was no suitable snow area at the base to land. Staff designed and built the retractable skis and gear, and tested these at length before the first landing on the Tasman Glacier on 8 September 1955.[9] This was a perfect publicity opportunity for the company, and the *Timaru Herald* was keen to break the news of this innovative enterprise. This enabled the beginning of the flightseeing services and became a real money-spinner for the company,[10] operating from the Hermitage, Franz Josef Glacier and Fox Glacier.

Not content to rest in the glory of this development, the directors' minutes indicate that as early as 1959 HRW was planning to upgrade the Austers to larger, more powerful Cessna 185s. These more modern aircraft better met the expectations of international visitors to the Mt Cook area.[11]

7.4.4 Coaches

The core of the business, coach services, continued its improvements. Seven buses were added to the fleet during 1957 resulting in a large increase in depreciation expense. Large Chevrolet cars were added in 1958 for rental purposes and charter work. Replacement of vehicles continued in 1960, and was described in the *Annual Report* as "customary."[12] This may have inspired confidence in the company's ability to move forward and maintain its momentum in growth. Further vehicle replacements followed in 1961. Competition for charter work and rental cars was acknowledged in 1962, as was the continuing support of the Government Tourist Department. Cooperation also existed between NAC, the Tourist Department and Queenstown hoteliers, who combined to offer a package holiday to attract skiers to Coronet Peak, boosting the company's revenue from both air services and the ski field. Coach services suffered a setback in 1965, with the closure of the road into Queenstown at Nevis Bluff for four months[13] from June to September. This also deterred people from taking ski holidays in Queenstown.

7.4.5 Accommodation

While the aviation interests of the company were progressing smoothly, the accommodation aspects were slowly changing. The Hermitage (under Government management) at Mt Cook was destroyed by fire on 17 September 1957, causing the demand for services to and at Mt Cook to decline to almost nothing. HRW took this opportunity to make use of alternative accommodation, Lake Ohau Lodge, built by the company near Lake Ohau in 1951. A ski area was developed nearby to encourage further usage.

Lake Ohau Lodge was on the market throughout this period. An offer had been considered as early as 1956, but was considered too low. Interest shown by the government's Tourist Hotel Corporation did not eventuate in a sale. The property was eventually sold in 1959 for £5500, although the company retained a financial interest by way of a mortgage.[14] Coach services to the area were retained until their eventual sale to the Lodge's new owner in 1964.[15]

7.4.6 Ski Activities

The company was also involved in providing recreational facilities. Snowfall at its skifield, Coronet Peak, was plentiful in 1955, but followed by a dismal winter in 1956, when the field was open for only a few days. Ohau ski facilities were opened in 1958. Both Ohau and Coronet Peak experienced a long season in 1960. By 1962 Coronet Peak had five ski tows, which were still insufficient to meet demand at peak times.[16] A chairlift was commenced in 1964 for use during the winter season. It also provided a summer attraction transporting people for scenic views. The competing gondola to Bob's Peak in Queenstown village did not begin operations until 1967,[17] giving the company three years without competition. A restaurant building was also added to the complex in 1962, significantly upgrading the facilities offered at Coronet Peak. Although Coronet Peak was the only ski field in the Queenstown area at this time, increasingly sophisticated customer needs had to be met to retain their custom both on the field and on transport to the area.

HRW's entrepreneurship was also applied to the ski field. Snow making facilities were installed in 1961, imported from the United States. Again, the company was at the forefront of development, being the first ski field in the country to utilise this technology.[18] A trial of night skiing was attempted as early as 1962. This, too, was a first for New Zealand ski fields.[19]

7.5 The Board

JC Wigley (HRW's mother) resigned from the board in 1962 and Sir Leonard Wright was appointed in her place. Rollinson retired from the board in December 1963, but remained with the company in an operational managerial role, until he retired in 1974. Mr (later Sir) Roy McKenzie joined the board in his place. McKenzie was a family friend of the Wigleys, as well as having a skiing background, representing New Zealand at international events in 1949 and 1951 and captaining the NZ Olympic ski team in 1952. Mr McKenzie was a professional company director, serving also on the boards of James Cook Hotel Ltd and Rangatira Ltd.[20]

Table 7.4: Directors during 1956-1965

Director	Professional background	Full term in office	Shareholding and year quoted
HR Wigley	Pilot	1942-80	8539 (1965)
WJ Sim	Lawyer	1938-74	1500 (1965)
JG Smith	Carpenter	1939-67	1000 (1965)
JC Wigley	Married woman	1944-61	1896 (1965)
LR Jordan	Bank manager	1947-65	1300 (1965)
AK Rollinson	Bus driver	1952-63	25 (1965)
Sir L Wright	Tea importer	1962-67	2023 (1965)
RA McKenzie	Accountant	1964-83	2000 (1965)
NA Keeley	Accountant	1965-76	1000 (1965)

Source: *Annual Reports*, Companies Office file.

The company's auditors, Leggott & Allport of Timaru, who had been with the company since 1931, stood down at the 1963 Annual General Meeting, in order for Noel Keeley, one of their partners, to take a more active part in the company's affairs.[21] He became a director in 1965, until his death in December 1976.[22] New auditors, Barr Burgess & Stewart, were appointed at an Extraordinary General

Meeting in September 1963. The good reputation of Barr, Burgess & Stewart as auditors would have provided more credibility for the share float in 1965 than a small Timaru-based firm.

Capital was raised from £42,500 to £150,000 at the same meeting to improve facilities at Coronet Peak, buildings on the Queenstown site and to fund development of the Riccarton Road site as a new head office.[23] The subsequent *Prospectus* also stated the intention to purchase additional motor coaches.

In July 1963 the board discussed the issue of bonus shares in the ratio of 1 for 6 at par value of 10 shillings, but postponed this indefinitely following the approval of the increased capital given by the Extraordinary General Meeting in September.

Most importantly, the company listed on the New Zealand Stock Exchange from May 1965.[24] Family members have commented that the public listing was a natural progression that had to be undertaken to raise more funds to grow the company further.[25] On 28 February 1964, 20 000 shares were issued to staff and existing shareholders. On 30 April, an additional issue of 65 000 shares was made, underwritten by Forsyth Barr and Company of Dunedin. Of the three individual underwriters, only two took up shares (500 each) in their own name, suggesting that the issue was fully subscribed.[ii]

7.6 Economic Environment

The late 1950s saw a balance of payments crisis for the New Zealand government.[26] The "Black Budget" of 1958 sought to redress this by increasing existing import controls to cover virtually 100% of goods imported.[27] Full employment was a target of the government,[28] and development of industry was encouraged to support this target. Import restrictions supported industrial development in two ways: by creating

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[ii] Contemporary newspapers did not report on the level of subscriptions, nor did the Return of Allotments to the Companies Office indicate any information beyond the details of successful applicants.

demand that had to be met domestically, and by limiting the competition to meet that demand.

Concerns amongst the public were beginning to be voiced with respect to the level of inflation, although Hawke acknowledged that popular ideas of an acceptable rate of inflation always lag behind the rate experienced.[29]

The New Zealand highway network was enhanced by the completion and opening of the Haast Rd in 1960. This opened a new route for tourists to travel from the West Coast, having seen the Franz Josef and Fox Glaciers, through to Queenstown, eliminating the need to retrace their route.

Changes were also occurring in the modes of transport the public utilised. There was an increasing number of private cars, and families took holidays by car, rather than using public transport as in the past. Rental cars registered in New Zealand grew by 48% over this period, from 2010 in 1956 to 2976 in 1956, further supporting increasing demand for independent travel.

Other cultural changes were also taking place. Licensing laws were liberalised by the Licensing Amendment Act 1960, which allowed restaurants to serve alcohol with meals, broadening the competition faced by hotels. Although this may have been seen as an enticement for tourists, bringing New Zealand's licensing laws more in line with international trends, it meant that the hotels now had to compete in a larger market. Although the Mount Cook company sold its last hotel during this period, the change in licensing law is an indicator of the changing demands of travellers, both foreign and domestic.

7.7 Competition and Government Involvement

Mount Cook & Southern Lakes Tourist Co. Ltd was not the only business operating in the transport and tourism areas. Competitors were facing the same environment and providing challenges to each other's success. The government played an important role in activities in both of these sectors, and must also be considered in assessing the performance of the company, or any entity in these sectors.

Competition in the transport area consisted of government operators, such as New Zealand Railways, and private operators, such as Transport (Nelson) Holdings Ltd (TNL). Government interests often blurred the distinction between public and private. In 1957 the highway between Blenheim and Nelson was deemed a notional railway, resulting in freight and passenger services being subsidised. TNL turned a healthy profit throughout this period, but their current liabilities constantly exceeded their current assets, as noted in their annual report in 1959.

Domestic commercial aviation was shared with National Airways Corporation (NAC). Cooperation between NAC and Mount Cook Group enabled NAC to operate the main trunk services, while smaller, independent operators provided the secondary services. NAC held its own in profitability, and was also subjected to political pressure to pick up services that failed under private management. Examples of this were provided by the failure of SPANZ, which resulted in the addition of Timaru-Christchurch services, and the difficulties of Bay of Plenty Airways Ltd, which resulted in the provision of services to Rotorua and Whakatane by NAC.

The main source of competition for the company's accommodation interests was the government's Tourist Hotel Corporation (THC). It operated luxurious hotels in remote locations, where private investors were unwilling to set up operations. Although it was able to make a modest profit from its hotel operations, its net loss between 1956 and 1965 varied between £106 113 and £343 939 in 1965. Its total losses over this period were £1 759 306. This loss was met by the taxpayer. By contrast, Lake Ohau Lodge operated in a similarly remote location, with lower but additional costs due to its location. Its losses had to be met by the Mount Cook Group.

The Government Tourist Bureau (GTB) operated offices across the country, to make bookings for tourist activities. As part of the New Zealand Tourist and Publicity Department, it reported annually on its activities. No separate financial details were reported prior to 1961, after which it reported modest profits in 1961 to 1963, which were exceeded by a loss in 1964 of £40 958 on a total income of £378 057. Mt Cook's offices also provided booking services, as a way of utilising capacity, and to entice potential travellers into using their own services. Losses of the magnitude experienced by GTB would have been unsustainable for the Mount Cook Group.

All of these competitors operated in only one industry, except TNL. The diversified operations of Mount Cook Group were to generate custom for its core service: transport. Its diversified nature was structured to assist cashflow, by ensuring a year-round inflow, but it also brought it into competition with a broader range of competitors. The Mount Cook Group reaped only minor benefits from government's efforts to assist transport and tourism but faced government's competition in many of its activities.

7.8 Conclusion

This was a period of significant growth and change in the company. Its relocation to Christchurch and redevelopment as a listed company took it a long way forward from its origins as a family business in rural South Canterbury. Yet interviews with staff of this time suggest that it retained a family atmosphere, and that working for Mt Cook was an exciting and rewarding experience. This atmosphere was not to survive the later years as the company further expanded.

Cash was continually a scarce commodity during this period, but the enthusiasm for the business's future enabled the company to raise cash when it was required. HRW provided strong leadership and had plans for the future of the company. His enthusiasm overflowed to staff and investors, despite lukewarm financial indicators. The family remained a key investor in the group, as evidenced by the debenture issued to Mrs JC Wigley to finance the deposit for the DC3.

This post-war period saw comfortable growth for most New Zealanders, despite concern at increasing inflation. Businesses were subjected to a high level of government control, allegedly imposed for the benefit of the country.

The cashflow analysis has revealed that although the Mount Cook Group was generating a healthy positive operating cash flow, there were large investing outflows, requiring an injection of further financing cash. There was a level of enthusiasm for the company which the financial data does not strongly support, that may have been driven by confidence in the leader, Harry Wigley, or in the sectors of operation: transport and tourism.

[1] Drucker, 1985, p.27.

[2] Directors' minutes, 11 November 1955.

[3] Directors' minutes, 1956-1965.

[4] Wigley, 1979, p.196.

[5] Aimer, 2000, p.161.

[6] Schumpeter, 1934.

[7] Carland et al, 1984, p.357.

[8] Wigley, 1965, p.183.

[9] Drake, 1996, p.104.

[10] Interview with D Middleton, Wanaka, 15 February 2000.

[11] Directors' minutes, Mt Cook Air Services Ltd, 30 June 1959.

[12] *Annual Report*, 1960.

[13] *Annual Report*, 1965.

[14] *Annual Report*, 1962.

[15] Directors' minutes, 2 June 1964.

[16] *Annual Report*, 1963.

[17] http://www.skyline.co.nz/gondola/index.html, 26 October, 2000.

[18] *The Press*, Christchurch, 4 July 1961.

[19] *The Press*, 10 September 1962.

[20] Taylor (ed), 1998, p.511.

[21] Letter from Noel Keeley to HRW, 4 Feb 1964, Canterbury Museum, 163/82, Box186.

[22] *Annual Report*, 1977.

[23] Directors' minutes, 5 July 1963.

[24] *Official Record of the New Zealand Stock Exchange*, May 1965, p.107.

[25] Interview with HAP Aubrey, Christchurch, March 2000.

[26] Jones, 1999.

[27] Hawke, 1985, p.260.

[28] McIntyre, WD and WJ Gardner (eds.), 1971.

[29] Hawke, 1985, pp.173-4.

Chapter 8

Expansion Through Takeover: 1966-1980

8.1 Introduction

This section began with the first consolidated reports prepared for the group. The annual report presented results for the parent company alone, and consolidated figures that included Mount Cook Air Services Ltd, which had become a fully owned subsidiary in December 1965. Further acquisitions throughout this period result in data being compared on a dissimilar basis. While this is not ideal, comparisons can still be made as the acquisitions are simply to expand the group's current activities. This period was characterised by expansion in the group, through acquisition of other operators in similar areas, both geographic and industrial. The accumulation of assets via these acquisitions to support the enlarged scope of activities did not warrant a new OCFAID graph as there had been no major event indicating a change in the business. Growth alone does not constitute a change to trigger a new graph. This period was closed by the death of its leader, HRW. Figure 8.1 shows the consolidated balance sheet as at 31 March 1966, converted to dollars, to provide consistency with later years in this period.

Figure 8.1: Consolidated Balance Sheet as at 31 March 1966 (in Dollars)

Current Assets			Current Liabilities		
Cash on Hand	255		Bank Advances	20 818	
Trade Debtors	66 286		Sundry Creditors	58 763	
Stock in Trade	164 542	78 898	Provision for Tax	3 951	
Investments			Prov'n for Dividend	8 730	92 262
Shares	315		Term Liabilities		
Sundry Investments	5 996	6 311	Debentures (secured)	31 500	
Fixed Assets			Mortgages	46 417	
Land and Buildings	97 227		Deferred Tax	6 081	83 998
Airport and Road Development	11 944		Total Liabilities		176 260
Plant, Machinery	164 542	273 713	Owners' Equity		
			Paid Up Capital	133 249	
			Capital Reserve	5 810	
			Revenue Reserve	26 388	
			Unappropriated Profits	12 215	177 662
		358 922			353 922

Source: *Annual Report*, 1966

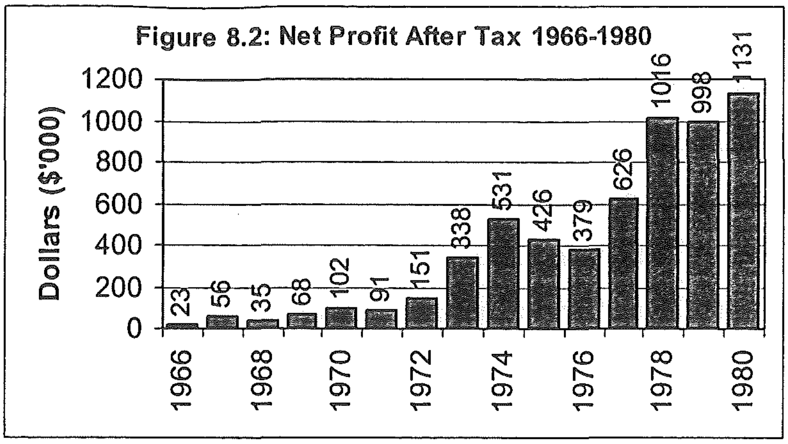
Acquisitions were the primary source of growth during this period. It was a time of buying out small players in the field and consolidating the group's dominance as a tourism provider in the South Island, but also adding North Island and Stewart Island services to the group's geographic spread. Other major South Island players, such as Newmans Ltd (part of Transport (Nelson) Holdings Ltd) and Midland Coachlines in Christchurch were also engaged in this type of growth during this period.

The key focus of the entity alternated between tourism and general transport throughout this period. The airline and tourism were dominant motifs in the 1967 report, with repositioning of the company in tourism presented strongly by 1974. Transport still appeared as a motif, but no longer in a primary role and was not used as a selling point. In contrast, the Chairman's Report of 1975 began with recognition that its operations were predominantly based in transport and were affected by the rising cost of fuel. While transport is one portion of the tourism sector, and the two sectors are not mutually exclusive, the changing image that the company promotes is noteworthy. Like a chameleon, it changes its self-description depending on circumstances. The *Annual Report* for 1966 acknowledged that the company is a pioneer in the tourist industry. The Chairman's Report of 1975 reads more like a presidential speech for the tourism sector than a specific company's report. Much was made of the tourism sector, but not in direct application to the Mount Cook Group. HRW suggested increasing tariffs throughout the sector to dampen down demand, which would have more interest to other operators than to investors who are the likely audience of the Chairman's Report.

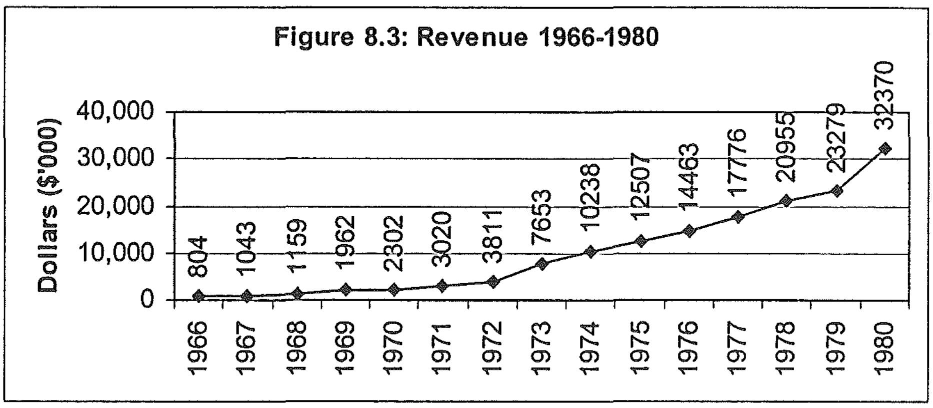
A significant change in the company's image occurred at the 1977 AGM, when the name was simplified to "The Mount Cook Group Ltd."[1] This projected a lean, clean image without the excessive verbosity of the prior name. It was significant that the group continued to associate its image with one of New Zealand's major tourist sights, and maintained the Mount Cook lily logo drawn by the founder's wife.

8.2 Traditional Analysis

New Zealand converted to decimal currency in 1967. For the purposes of this chapter, the data for 1966 has been converted to dollars where £1=$2.



Source: *Annual Reports*



Source: *Annual Reports*

Net profit after tax (Figure 8.2) can be separated into three sub-periods, which increase step-wise within the timeframe of this chapter. The first period, 1966-1972, has the lowest level of profitability, with correspondingly low revenue. In 1973, the first year of the next period (1973-1977), revenue increased by 100% over the previous year.[i] This second period had an average growth in revenue of 3.83%, against the previous period's average of 3.72%. The total assets increased during this second period by over $900 000, an increase of 124.5%. Figure 8.3 indicates a healthy

[i] 1973 was a 14-month period due to a change in balance date, which would have assisted this achievement.

climb in the level of revenue over this period. The third period makes its major contribution in the final year, 1980, with growth of 39.1%.

The debt to equity ratio peaks in 1969 at 2.46 (see Table 8.1), a gearing level that could be of some concern to investors. Because of this, a one-for-five share issue was made in 1970, resulting in 98 059 new shares. This ratio remained well above one from 1969 to 1977, and only in the last period, 1978-1980, was this ratio's trend reversed, to a more acceptable level of 0.74 in 1980.

Table 8.1: Debt to Equity Ratio 1966-1980

Year	Debt / Equity (Dollars)	Percentage
1966	176 260 / 177 662	99%
1967	393 716 / 391 972	100%
1968	471 831 / 532 334	89%
1969	1 735 909 / 706 239	246%
1970	2 023 511 / 1 250 218	162%
1971	2 486 610 / 1 529 009	163%
1972	3 689 731 / 1 562 912	236%
1973	5 158 127 / 2 376 787	217%
1974	6 855 396 / 4 781 600	143%
1975	8 141 693 / 5 168 476	158%
1976	8 249 300 / 5 412 202	152%
1977	10 695 089 / 6 222 901	172%
1978	9 895 118 / 7 168 930	138%
1979	9 746 182 / 10 057 056	97%
1980	9 662 955 / 13 136 767	74%

Source: *Annual Reports*

During this period, the company continued to show weakness in its working capital ratio, although the last five years were improving and the ratio rose above 100% in

1980, suggesting that the company's finances were finally being set right (see Table 8.2).

Table 8.2: Working Capital Ratio 1966-1980

Year	Current Assets / Current Liabilities (Dollars)	Percentage
1966	147 786 / 184 524	80%
1967	157 894 / 245 596	64%
1968	192 907 / 322 454	60%
1969	480 430 / 713 626	67%
1970	646 911 / 749 684	86%
1971	893 579 / 1 228 177	73%
1972	874 593 /1 649 904	53%
1973	1 385 634 / 2 055 144	67%
1974	2 394 573 / 2 703 867	89%
1975	2 784 250 / 4 071 783	68%
1976	3 089 785 / 3 706 870	83%
1977	4 356 123 / 5 208 931	84%
1978	5 033 090 / 6 085 457	84%
1979	5 364 651 / 6 112 062	88%
1980	7 508 858 / 6 671 861	113%

Source: *Annual Reports*

Notes to the accounts show Commitments for Capital Expenditure in 1966 of $6100, 1967 of $79 000, and 1968 of $1 141 730. The growth in 1968 was caused by the acquisition of a Hawker Siddeley aircraft, an HS748. The commitment was more than twice that year's total capital, signifying a major development in any business. This information was not provided again until 1971, just three years later, when a second HS748 was purchased with a new capital commitment of $1 258 775.

The company's bank, the Bank of New Zealand, was thanked for its help through tough times in the 1968 *Annual Report.* [2] This was an unusual comment to make, but indicated that the bank had supported the company on a long-term basis, and was therefore willing to extend credit facilities to cover a poor trading season. Reasons given for the poor trade included a poor snowfall at Coronet Peak and the devaluation of the dollar affecting expenses.[3]

A change in legislation permitted the company to alter its depreciation method for all assets in 1971 from the diminishing balance method, acceptable for tax purposes, to the straight line method, as used by other transport providers overseas. The HS748 and Twin Otter aircraft had always been depreciated on a straight line basis. The straight line depreciation method was preferred for accounting purposes as less depreciation was recorded against income in the early years of an asset's life. In the case of major assets, such as aircraft, this benefit could make the difference between a reported profit or loss for the period.

A bonus issue of 2 for every 3 shares held was made on 12 April 1979. This was likely to be a measure to prevent a takeover.

8.3 OCFAID

Cash flow information was not explicitly reported in this period, although the Movement of Funds Statements, first presented in 1971 and superseded by the Source and Application of Funds Statement, each attempt to provide similar information. It is worth noting then that the 1979 *Annual Report* acknowledged cash flow difficulties, largely arising from a poor snow season at Coronet Peak.[4] This additional disclosure highlights the importance of cash flow information for decision-making.

Data during this period has been adjusted from that presented in the annual reports. In 1969, $31 485 was capitalised as Plant for aircrew training on the HS748. This has been reversed out of the results for the cash flow analysis, as it did not represent a realisable resource to the group. A revaluation of assets in 1970 of $284 441 has also been reversed, as it did not represent a cash outflow.

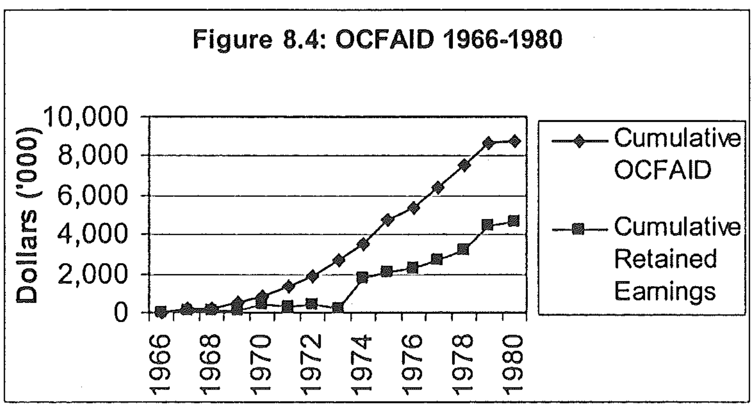
The duration of this period and the high inflation experienced during this period caused the graphs to climb rapidly during this period thus obscuring the effect of the expansion of the company. The OCFAID graph (Figure 8.3, data provided in Table 8.4) still indicates that the company's operations were profitable and the company had a suitable level of liquidity. Both cumulative OCFAID and cumulative retained earnings were positive and increasing, which indicate the company was a star performer during this period. These two indicators would have given an optimistic signal to investors.

Table 8.3: OCFAID 1966-1980

Year	OCFAID ($'000)	Cumulative OCFAID ($'000)	Cumulative Retained Earnings ($'000)	Cumulative Investing Cashflow ($'000)
1966	47 649	47 649	17 932	-52453
1967	149 146	196 795	54 580	-173 569
1968	56 706	253 501	61 687	-452 118
1969	270 163	523 664	95 252	-1 468 873
1970	328 225	851 889	429 102	-2 019 545
1971	441 749	1 293 638	356 872	-2 770 178

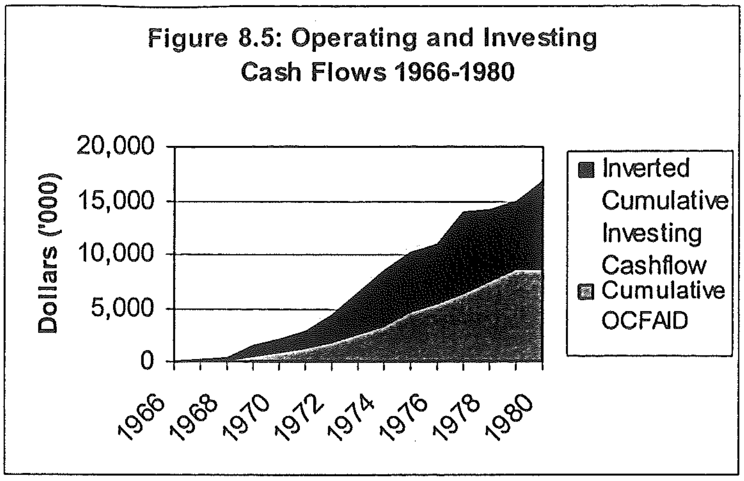
1972	530 218	1 823 856	390 775	-4 303 524
1973	796 916	2 620 772	156 864	-6 483 705
1974	825 385	3 446 157	1 798 783	-10 126 476
1975	1 331 653	4 777 810	2 053 659	-10 126 476
1976	596 158	5 373 968	2 231 385	-10 997 204
1977	995 202	6 369 170	2 637 074	-13 981 087
1978	1 169 218	7 538 388	3 157 218	-14 081 878
1979	1 093 025	8 631 413	4 419 342	-14 928 148
1980	81 232	8 712 645	4 594 462	-16 814 372

Source: *Annual Reports*



Source: *Annual Reports*

Investing activities continued to be an outflow that exceeded the operating inflow (see Figure 8.5). The shortfall was met by a financing inflow. Issued capital increased in every year in this period with the exception of 1967 and 1972.



Source: *Annual Reports*

Share issues were not all made for cash; some shares were issued in exchange for assets. Shares were issued for the 15% deposit on the Twin Otter aircraft. RW Steele expressed an opinion that "this form of finance should only be used in exceptional circumstances."[5] Issuance of shares for this purpose diluted the shareholding of others, but it saved the company from making a cash payment, with the amount of share premium effectively a discount. This option was considered for the DC3 bought from NAC, but the government vetoed this method of payment.[6] The ongoing investing cash outflow that exceeded the operating inflow supports the assertion that the company was experiencing a period of restricted liquidity.

A liquidity problem was mentioned in the 1972 *Annual Report* prompting the announcement of an unsecured convertible notes issue.

8.4 Operations

8.4.1 General Comments

This period was dominated by acquisitions, effecting rapid growth of the group. The first acquisition was Mount Cook Air Services Ltd. This had commenced operations in 1953 and was brought into the company in 1966, by an exchange of shares. It is arguable that the company was not a separate entity except in name up to this time, as it was set up by HRW and its shares were closely held by the company and its employees. The other four shareholders were Struan Robertson (the manager), Don Middleton (a pilot), Isabella Wigley (HRW's wife), and HRW himself. Links between operations at Mt Cook and Timaru were strong. Although it was a separate company in name, there is little evidence to suggest it would have existed without the support and knowledge given by its parent company and its managing director, HRW.

Acquisitions then followed on a regular basis. New Zealand Tourist Air Travel Ltd (NZTAT) was acquired in 1969. Financial results for this company were provided as additional information in 1968, as its acquisition was certain, although had not yet taken place.

Luxury Landlines Ltd was acquired in April 1970.[7] This added coach routes from Auckland to Wellington. This acquisition led to the claim that the company was now "truly national in concept."[8]

Further acquisitions were Aorangi Motors Ltd based in Fairlie in 1972, Hawkes Bay Motor Company Ltd, H Gould & Co. Ltd in Timaru and Rollinson Motors Ltd in Albury in 1973,[9] and Geraldine Transport Co. Ltd in July 1973.[10] 1974 saw some restructuring and acquisition of the assets of Findlay Motors Ltd of Taupo and the addition of Geraldine Lime Co. Ltd in November 1974. The assets of W & H Motors Ltd (Halswell, Christchurch) were acquired in April 1975. Central Aviation Co. Ltd in Central Otago was bought in 1976. A 75% interest in Bay Tours Ltd of Paihia was added in November 1977. Frames Carrying Co. Ltd (Pleasant Point, South Canterbury) was first included in 1978 and a 75% interest in Petricevich Motors Ltd in Kaitaia was introduced in 1979.

Growth of the company was countered by some disposals, as the group had acquired some assets and operations that did not fit into the overall picture. These disposals included Hirst Motors Ltd of Taupo in November 1970 and the Queenstown hotel project by May 1974. Group Travel was wound up in March 1972. Sale of the Stafford Street property in Timaru was proposed in May 1973, but did not eventuate until 1981 after HRW's death.

Among the number of acquisitions during this period one warrants a closer examination. The merger between the Hawke's Bay Motor Company Ltd (HBMC) and the Mount Cook group was significant, in that it merged two major players in the coach industry. Its merger was also complicated by the third major industry player, Newmans Ltd, who had been involved in negotiations in the early stages.

Discussions to merge the Hawke's Bay Motor Company Ltd (HBMC) with the Mount Cook Group began in November 1971. The transport industry was heavily regulated at this time, and HBMC held a licence to operate coach tours out of Auckland without providing any other passenger services in the area. As Auckland was the major entry point for overseas tourists, this would have been of interest to Mount Cook, and possibly motivated the takeover.[11] A third business, Newmans Ltd, was invited to be part of a three-way merger, but was not interested. A director of HBMC and later of Mount Cook, Arthur Giles, suggested that Newmans was not interested due to Mount Cook's involvement with aircraft.[12] The proposed merger was first mentioned in the directors' minutes of May 1972. A special meeting was held on 11 July to make an offer of 7 Mt Cook shares for 4 HBMC shares, and preference shares to be bought for cash. A further special meeting was held on 27 July due to problems with HBMC and Newmans Ltd. The prior decision was rescinded and an offer of 2 Mt Cook for 1 HBMC shares was proposed. The share exchange offer was made on 28 July 1972, and offered 2 Mount Cook shares plus 9 cents for each share in HBMC. Preference shares were bought for $1.035 each cash.[13] Despite friendly negotiations between HBMC and Mount Cook, a formal takeover offer was made to HBMC by the MCG. This was notified to the Stock Exchange, as required, and the public disclosure prompted Newmans Ltd to make an alternative offer. Eventually, the directors of HBMC recommended the Mount Cook offer over the Newmans bid and the takeover took effect from October 1972.

Takeovers during this period were not unidirectional. There was a threatened takeover of the company in February 1979. The board prepared a defensive plan in the event the takeover took place. An Extraordinary General Meeting was called to increase nominal capital to $10m and to authorise issue of bonus shares on a 2 for 3 basis from the revaluation reserve.[14] This makes a takeover more costly as more shares must then be purchased. Nothing had formally been received with respect to this takeover in May and no indication of the company involved was found in the course of this research, although TNL would be a likely candidate, particularly as they established a domestic airline in February 1985.

Growth during this period was not limited to acquisitions. New shares were regularly issued to finance replacements during times of inflation, with authorised capital increasing progressively from £150 000 in 1966 to $10 million in 1980.

Cash flows created some problems in early 1971 as bridging finance was proving difficult to obtain. It was eventually secured from Australian Guarantee Corporation.[15] Further funds difficulties were identified for the 1972/73 year, and Mr Steele and the company secretary, Mr Cherry, considered and proposed an issue of convertible notes.[16]

The 1972 prospectus offered 426 258 unsecured convertible notes of $1 each at 7% interest per annum, offered on the basis of one for every two shares held. These were to be repaid August 1977 by issue of 5 shares for every 6 convertible notes held.[17]

An issue of convertible debentures to shareholders was proposed in 1975 as "liquidity remain[ed] a problem."[18] An Extraordinary General Meeting held in August approved 690 000 convertible notes be issued at $1.20 each, at 11% per annum, convertible to ordinary shares on 31 May 1980 on a 1:1 basis.

The AGM was hosted by Christchurch's new branch office in 1966. The relocation of head office from Timaru to Christchurch was completed in 1969.[19] Purpose-built offices were completed some years later. Premises on Riccarton Road were selected by May 1971 with rough plans drawn up by management, not an architect. It is probable this was a cost-saving measure as only two months earlier the company secretary had been instructed to continue search for rental accommodation "with the object of delaying the construction of our Head Office building."[20] The building was opened in November 1973 at 47 Riccarton Road.[21]

Computerisation of reservations was first mentioned in the 1980 *Annual Report*, although management had made a presentation to the board as early as November 1978. This adoption of computer technology was slow when compared with other businesses. This provides a good comparison between RLW, who was an early adopter of new technologies, as evidenced by his early business interests in engines, early car ownership and interest in photography, and HRW, who was slower to adopt this new technology.

8.4.2 The Airline

A loss of $28,000 in 1966 was attributed to starting up DC3 activities.[22] In 1967, six years after introducing airline services, the airline division became the largest revenue source in the company.[23] This trend was shown in disclosures of revenue breakdowns in the *Annual Reports* from 1971 to 1988, and the airline became a dominant focal point in management decisions and public perceptions.

Fare increases were granted in 1966, with use being made of comparative figures of fares charged in 1937, to show that fares in 1966 were cheaper than in the 1920s and 1930s.[24] A further application for increases of 10% on through fares and 20% on intermediate sectors was made in 1966, as fares were too low compared with overseas operations.[25]

Air services lost some agricultural business in 1968, but tourist traffic increased sufficiently to exceed its loss. Five aircraft were added to the fleet in 1968, increasing depreciation.

Comments made at the time of acquiring the second DC3 in October 1966 that an alternative aircraft would have to be sourced in the next eight years did not wait long to be fulfilled. A Hawker Siddeley 748 (HS748) was ordered in September 1967 and entered service in October 1968.[26] Financing of up to 90% was available from NAC if they thought the aircraft was suitable.[27] Difficulties were encountered in raising the deposit for the aircraft, due to the impact of poor snowfalls in Queenstown.[28]

The first HS748 entered service in October 1968.[29] A second HS748 entered service in July 1971.[30] A third was ordered for September 1973,[31] a fourth was approved in July 1976,[32] and the fifth HS748 was bought in 1980.[33]

In 1970 the group celebrated 50 years of commercial aviation. This celebration was dated from the one-day flight made by RLW and colleagues from Invercargill to Auckland. A supplement was published in Rotorua's *Daily Post* on 19 October 1970 to commemorate this anniversary.[34]

A licence was granted to fly Rotorua-Mt Cook, commencing October 1970,[35] with an actual commencement date of 27 November 1971.[36] Mr Patterson, representing NAC on the board, suggested that facilities be shared with NAC at Rotorua.[37]

A small plea for relief from airways and airports dues was made in the 1971 *Annual Report*, because fewer flight facility benefits were extended to Mount Cook Airlines than to NAC and Air New Zealand. This hints at a bias towards government's operators at the expense of private operators. Overall profit for the group was lower in 1971 than the previous year, despite a 37% increase in gross revenue in this division.[38]

Industrial difficulties occurred in October 1977 with airline pilots and engineers. There were substantial backpayments due, creating an unexpected drain on cash resources. Employees were seeking wage alliance with Air New Zealand.

Discounted fares entered use in October 1978, called "Air Bridge" fares, on Christchurch/Rotorua and Christchurch/Auckland routes. Passengers on these routes claimed the fares of $80 and $85 respectively were the reason for flying instead of using alternative transport.[39]

8.4.3 Air Services

Despite the dominance of skiplanes in the previous period, these are not a major reporting focus between 1966 and 1980. Efforts were made to get the Britten-Norman Islanders onto skis, but without success. In 1976, Britten-Norman began to fund the company with its continued development of skis.[40] This project was abandoned in September 1978 due to its lack of success from 4 years' effort, and the withdrawal of further funding by Britten-Norman.[41]

Acquisition of further aircraft was an ongoing necessity. A De Havilland Twin Otter for Queenstown was financed by issuing shares to De Havilland to cover the deposit. A guarantee was sought from NAC for payment of the balance. Difficulties in securing this guarantee resulted in the appointment of an NAC representative, Mr Doug Patterson, to the group's board in 1969.[42]

The order for the proposed Britten-Norman Islanders was cancelled due to unsuitable engines in 1969,[43] and replaced with an order for the Twin Otter mentioned above. Improvements through standardising equipment were anticipated, as this aircraft could also be used to eventually replace the amphibian planes in Auckland.[44] The Twin Otter arrived and entered service in October 1969.[45] Interestingly, two Britten-Norman Islanders arrived by 1971, and were added to the Queenstown fleet. The Twin Otter was sold in September 1973 and replaced with a Britten-Norman Islander[46], as these proved cheaper to run. Weather hindered services in this area, and radio aids were installed to enable flying in conditions that were otherwise unsuitable.[47]

Some setbacks were encountered in this period. The Auckland branch lost an amphibian aircraft in an accident in which four people were killed. This affected services in this area during December 1970.[48] A replacement aircraft, a Grumman Goose, crashed on its delivery flight in year ended 1975 creating another setback for this division.[49] This tolled the death knell for this division, and 1976 reports its closure at the end of April.[50]

Agricultural services fared well as a result of the farming community doing well in 1973. A small, but nonetheless important, part of the group, agricultural services utilised pilots from other parts of the company in their quiet times and generated business for the freightlines. These services were more a part of the past than the future of the group, but this was not stated by the group, or by HRW. An annual report would not be an appropriate forum to discuss the unsuitability of a profitable section of the company. 1976 saw the re-emergence of the farming community marked by the acquisition of Central Aviation Ltd in April.[51] Recognition was given that this was a sizeable sector of the business, without noting that it no longer made much sense with the tourism focus of the balance of services.

8.4.4 Coaches

Coach services fared better in 1976, following price increases in Railways services, allowing Mount Cook to be more competitive. Capital expenditure was high in this division in 1977 as new garaging and servicing facilities at Auckland, Wellington and Onekawa near Napier were provided.

The production of coaches commenced under franchise in 1976, with the first completed vehicles expected at the end of 1977.[52] The annual reports made only cursory comments on this division and its performance indicating little, either positive or negative. Coaches were primarily built for the group's own use. Directors note that it would be necessary to sell the vehicles on the open market to determine the competitiveness of the division.[53] Some longterm problems are reported as the division was under investigation in July 1979 and production was reduced from eleven per annum to eight.[54]

8.4.5 Freight Services

New equipment was added to freightlines in 1967. In 1968, the rail branch line to Fairlie closed, providing an opportunity to pick up additional work from that area to Timaru. Economic conditions meant that a drop in tonnage occurred despite this advantage. Freightlines benefited from the development of Twizel hydro-village.[55] Freezing works industrial action affected stock movements, as well as droughts.[56] A contract with DB Breweries from Timaru was a valuable addition to the freight service in 1978.[57] DB had a friendly relationship with the MCG, as shown by HRW's presence on DB's board of directors since 1972, and a previous alliance between the two companies on the Queenstown hotel as mentioned below.

8.4.6 Accommodation

Demand for accommodation in Queenstown was constantly high. The group wanted to open a hotel in the area to protect their inbound business. The hotel was a joint project with DB Breweries Ltd and Shaw Savill. Land (1½ acres) for the proposed hotel was bought from the government for $90 000. An opposing group, Guardians of the Park, led by HHJ Miller, a Queenstown businessman, contested the government's right to sell the land.[58] A separate company was set up with equity of $1m held by Dominion Breweries Ltd (49%), Shaw Savill (25%), and the Mount Cook Group (26%).[59] The hotel proposal was approved by the Government and an opening date was scheduled for October 1971.[60] Delays were reported in 1970's *Annual Report* due to planning appeals and problems with water supply and sewage disposal. Albion Ltd joined the three existing partners in 1971. The project was transferred to a separate company.[61] A supplementary copy of the press release and a photo of the proposed hotel was included in the 1971 report. The 1972 *Annual Report* emphasised repeatedly the shortage of accommodation at Queenstown and Mt Cook as a factor limiting the group's growth. Despite this, no comment was made on the conversion of the development asset to shares in a subsidiary. The following year, 1973, there was no comment at all about the hotel or a shortage of accommodation which suggested that the project was a lower priority. Disposal of Southern Lakes Hotel Ltd to THC was finally reported in 1974. A loss of $20 032 is recorded on disposal of the shares in the hotel project.

Following disposal of the hotel project, a 20% shareholding in Travelodge NZ Ltd was taken to maintain an interest in accommodation. This was acquired for an allotment of 145,187 Mount Cook shares as part-payment. An opportunity to acquire a further 5% was passed over in December 1977 due to inability to raise cash.[62] Attempts to get another shareholder to hold shares on the company's behalf for up to two years were mooted, but no mention made of any success.[63] The board agreed on its intention to take up an additional 5% of Travelodge NZ Ltd as funds were available.[64]

8.4.7 Ski Activities

Coronet Peak installed a second poma lift for the 1967 season,[65] although only 3-4 weeks' skiing eventuated that season.[66] Coronet Peak's chairlift took many thousands of sightseers in the summer months to the summit for the views of the Queenstown area.[67] Australians were recognised as major users of Coronet Peak which provided a cheaper alternative to skiing in Australia.[68] (This is still the case in 2000/2001.) A poor start to the ski season in 1971 adversely affected cash flow for the whole group. Organisational restructuring in 1971 moved responsibility for the skifield to AK Rollinson, freeing M Corner to control air operations alone.[69] A new chairlift was added in 1974, for the following season.[70] The new lift meant more people were using the ski field thus increasing demand on all other facilities, including restaurants, toilets and car parks.

The Remarkables ski area project was first mentioned in the 1975 *Annual Report*, with discussion in the directors' minutes beginning in July 1974. The project was required to ease congestion at Coronet Peak, and the proposed site was at a higher altitude and was expected to have a longer season. The 1975 *Annual Report* noted "overwhelming support from Queenstown Borough Council, Lakes County Council, business people and hotels in Queenstown"[71] for the project. Its location, Rastus Burn, was revealed in 1976. Final approval was not reported until 1980[72] with its eventual opening in 1985.

Amongst possible acquisitions that failed to reach fruition, Mt Hutt ski field was discussed in 1976, but this was not followed up due to necessary lease arrangements with the Forestry Department.[73]

8.4.8 Other Services

Mount Cook Northland, a 75%-owned subsidiary, launched a 150-seater catamaran, *Tiger Lily*, in 1980 for scenic and evening charter work.[74] The addition was so successful that a second catamaran was considered for operation in Auckland Harbour.[75]

The *Annual Report* in 1980 noted that "we have to move faster with innovations to keep up with rapidly changing times."[76] Recognition of the importance of innovation is laudable, but may suggest that the company was running short of new ideas at this stage.

One project under development at this time was to extend the airline to fly trans-Tasman. It can only be speculated whether HRW would have been able to bring this to fruition in the regulated environment of the time.

8.5 The Board

The period commences with a board whose strength of experience is commented on in the 1966 *Annual Report's* Chairman's Address. At this stage, the board consisted of HRW, Sim and Smith, who had been with the company from before 1946, and four other board members: Wright (1962), McKenzie (1964), Keeley (1965) and Edwards (1966) were newer additions. The company secretary, GA Duncan, had been with the company since 1953, providing overall a long-serving board. The backgrounds of these members served tribute to the ties that the company had established. Wright (director of THC, ex-mayor of Dunedin);[77] McKenzie (successful businessman, son of the founder of McKenzie's chain stores, and family friend to the Wigleys); Keeley (ex-auditor to the company); Edwards (transport company owner of a potential merger partner); Smith (builder and family friend); and Sim (legal advisor to the company since the 1930s).

Table 8.4: Directors during 1966-1980

Director	Professional background	Full term in office	Shareholding (and year quoted)[ii]
HR Wigley	Pilot	1942-80	58 813 (1979)
WJ Sim	Lawyer	1938-74	1750 (1968)
JG Smith	Carpenter	1939-67	1400 (1967)
Sir L Wright	Tea importer	1962-67	
RA McKenzie	Accountant	1964-83	4200 (1968)
NA Keeley	Accountant	1965-76	1500 (1968)
CL Edwards	Transport operator	1966-67	4662 (1967)
RW Steele	Accountant	1968-90	1000 (1968)
CO Marshall	Plumber	1968-85	15 301 (1979)
RS Odell	General manager, Tourist & Publicity Dept	1968-80	
DA Patterson	Air transport executive	1970-83	
AR Giles	Accountant	1973-82	
GE Bisson	Lawyer	1973-78	
RC Dockery	Accountant[iii]	1973-85	

[ii] Data was unavailable from 1969 to 1980. The Companies Office filed shareholding lists separately from 1970, which were lost in a fire in 1999, and the company's *Annual Report* did not disclose directors' shareholdings until 1982.

AH Gould	Auctioneer	1979-end	
PS Phillips	Journalist/ airline manager	1980-84	

Source: *Annual Reports*, *Who's Who in New Zealand* and miscellaneous newspaper items.

The board's composition changed radically during this period, partly attributable to its duration. Increasing professionalism is another possible cause, brought in with the growth the company experienced during this period. Politicisation of the board occurred in this period, as an NAC representative was added in 1969, and three board appointments resulted from the merger with the Hawkes' Bay Motor Co. Ltd in 1973.

Edwards, an Auckland-based transport operator, was interested in a merger or takeover in June 1965 for his company, Edwards Motors Ltd. He joined the board following Jordan's resignation in May 1966. He resigned in October 1967, having served only seventeen months. His business was eventually bought by Midland Motorways Ltd in 1969.[78]

Some setbacks were experienced in 1968 which dramatically altered the board's structure. The deaths of Sir Leonard Wright and GA Duncan were reported in the 1968 *Annual Report*. Duncan, the Company Secretary, was replaced by AJ Robb on a temporary basis until M Corner joined the company later in 1968. A second board member, JG Smith, died later in 1968.[79]

Doug Patterson joined the board as the NAC representative in September 1969.[80] This position was granted in recognition of the significant contribution and interest that NAC had in the group as a result of their guarantee on aircraft loans. NAC strengthened their relationship with the company in 1973 when they took shares as part payment for a DC3.

Corner was promoted to Assistant General Manager in 1970 and was replaced by TK Cherry as company secretary. RR Forward became the Coachlines Manager.

[iii] Dockery did not complete his formal training as an accountant due to the Second World War

The merger with Hawkes Bay Motor Co. Ltd in 1973 introduced three new directors to the board: GE Bisson, AR Giles and RC Dockery.

Sir Wilfrid Sim, a long-serving member of the board, passed away in November 1974.[81] The vacancy was not filled, and the number of directors was dropped from 11 to 10.

PS Phillips joined the Group in August 1978 as Group General Manager.[82] Bisson resigned in November 1978 upon his appointment as a Supreme Court Judge.[83] AH Gould was appointed by a majority vote of the board in his place.

HRW held several positions outside the group. He became President of New Zealand Travel & Holidays Association 1967[84] and was appointed to Dominion Breweries board in June 1972.[85]

RW Steele joined the company as a board member in 1969, and went on to play a major role in the company. It is therefore worth highlighting some of his contributions during this period. He had strong experience as a company director, having served with Cable Price Downer Ltd, Toyota (NZ) Ltd and James Cook Hotel Ltd [86] to name a few. He was also a qualified accountant, and this professional background frequently showed in the concerns that he addressed as a board member. He served as president of the New Zealand Society of Accountants (now known as the Institute of Chartered Accountants of New Zealand) in 1970-1971.

As early as 1968 Steele highlighted the need for the company to plan its long term cash flow due to its high level of capital commitments over the next few years.[87] This was followed through with Corner presenting a cash projection statement at the following directors' meeting when he joined the company.

Concerns were again expressed by Steele in November 1969 about the company's overcommitment in capital projects and he suggested that the Queenstown hotel be sold on to another company to complete. This was argued against by Keeley, and HRW who announced that the hotel project would proceed and that a North Island coachline operation was to be purchased. Steele left the meeting at this point.[88] Again,

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(Petersen, 1971).

he raised concerns in March 1970 that an achievable budget should be set for the year.[89] He became deputy chairman of the board in December 1978.[90]

This period demonstrated an awakening of accounting awareness, thanks in part to the company auditor, Hugh Beattie, of Barr Burgess & Stewart. Divisional reports were being prepared to allow each manager to better control expenses. The published annual reports underwent major changes and became more complex.

Keeley drew attention to the increase in revenue in 1969 which was not matched by a corresponding increase in net profit. A lack of executive ability at divisional level was discussed as a contributing factor.[91]

The balance date was changed from March to May in 1973, resulting in a 14-month period. No reason for this change was recorded in directors' minutes, although discussion was noted. Balance dates are usually changed to fall in a quiet trading period, and this reason would adequately explain the group's change. In May tourist numbers traditionally drop, while the winter sports have yet to commence, making it a quiet time of the year for the MCG.

The AGM in 1974 had a host of special business: to specify retirement of directors at 72 years of age, and to permit directors to lend and borrow funds as they see fit. One director was affected by the age requirement, Sir Wilfrid Sim, who was allowed to complete his term in office. These changes suggest that the company is putting its corporate affairs into order.

The AGM in 1975 reduced the number of directors to ten. This number was reduced again in 1977 to nine, following the death of Noel Keeley in December 1976.

A resolution was passed at the directors' meeting on 23 May 1979 to appoint Phillips as a director as soon as a vacancy existed. This was effected in July 1980, upon Odell's resignation from the board, and Phillips was appointed Managing Director.[92] Odell had served on the board since 1968, having joined the board following resignation from his position as Chief Executive of the Tourist and Publicity Department.

HRW continued as chairman of the board until his death on 15 September 1980, which marked the end of this period. Steele became the new chairman.

There is an increasing level of professionalism during this period. The business seemed to have developed beyond its previous scope with one leader making most of the decisions, into a larger organisation which required many leaders to make it work. This was demonstrated through formalising directors' retirement age and the first use of a sub-committee.

The sub-committee for finance, consisting of Noel Keeley and Bill Steele, was set up in April 1975 due to a cash flow deficiency of approximately $500,000.[93] Reporting back the following month, it warned of problems with cash flow and capital structure and made suggestions to improve matters.[94] From this point onwards, there was a stronger focus on financial matters, indicating either greater professionalism, or an increased awareness of financial distress demanding that the cash position be closely monitored. Upon the death of Keeley, Bisson joined the sub-committee.[95]

Another sub-committee was used in 1979 for "outside influences," a euphemism for takeover threats, consisting of HRW, Steele and McKenzie.[96] A "defensive measures" sub-committee was formed which dealt with much the same matters. Negotiations between Air New Zealand and New Zealand Insurance (NZI) were undertaken to provide Air New Zealand pre-emptive rights for purchase NZI's shares if they decide to sell.[97] This was a measure to prevent another party from gaining a foothold in the company, and had the benefit of ensuring that Air New Zealand could increase its shareholding, which it had acquired on its merger with NAC, in the future.

Formal approval was given for the leasing of assets for 1978 year.[98] Leasing assets had the advantage to the group of using another company's funds to purchase major assets, and committing the Mount Cook Group to annual rentals, resulting in a lower cash flow commitment.

Financial strain was not restricted to the company itself. The level of directors' fees was reconsidered in 1977 as it had not been reviewed since 1972. An increase to $2200 per participating director was recommended.[99] Directors' fees had last been disclosed in 1974, at $1200 per participating director. The Consumers' Price Index had increased 54% from 1974 to 1977,[100] which would justify this dramatic increase. The number of directors dropped over the same period from eleven to nine, thereby minimising the increase to the company's cash outflow.

A retirement pension for directors was also discussed and proposed at the 1978 AGM.[101] The timing of this measure was curious, as there was discussion at the same directors' meeting of the present cash flow situation, and the need to "take all action to control the cash flow. There was a particular need for the deferring of Capital Expenditure and, if possible, the payment of various Capital commitments."[102]

8.6 Economic Environment

Muldoon became Minister of Finance in 1967 and Prime Minister in 1975 following Labour's defeat in the general election. This period was therefore heavily marked by Muldoon's influence on the direction of the country and its economy.

Muldoon was a supporter of the farming community which would contribute to the re-emergence in the company's *Annual Reports* of the importance of this sector to the company. This was illustrated by the renewal of subsidies on fertilisers reported in 1976 which boosted business for the air services division.

The Chairman's Address to the AGM in 1967 stated that most visitors using the company's services were foreign, which made the company largely independent of local economic conditions, and with the spread of visitors from different countries, largely independent of any other economy. On the contrary, this situation caused it to be subject to economic fluctuations from a greater variety of sources, rather than merely local conditions. It still had predominantly local costs, which must be affected by local conditions. Allusion to President Johnson's restrictions on American travel[103] confirmed this international dependence. Internationally, variation in fuel costs arose due to global supplies as shown in the 1970s oil crises (1974 and 1979). The comment that the company was largely unaffected by economic conditions was window dressing the report to pacify investors, its intended audience.

Devaluation of the dollar in 1968 had a small positive effect on revenue, as travelling to New Zealand became more affordable for overseas tourists, and conversely, overseas travel became more expensive for New Zealanders.[104] A further 15% devaluation occurred in 1975.

Acknowledgement of the government's support through an overseas promotion tax incentive scheme was given in 1968.[105] This scheme encouraged overseas spending on promotions, but the company was unable to ensure that it had exclusive benefits from this expenditure.

The National Development Conference in 1969 recommended the formation of a national tourist development council.[106] Recommendations were made on special depreciation rates for new constructions[107] and that the tourist promotion tax incentive be continued. It was also recommended that the Tourist Accommodation Development Scheme be continued, and that additional facilities be encouraged via a tourist facilities development scheme in conjunction with the Tourist Accommodation Development Scheme.[108]

Airways and airport dues were decreased from 1 January 1972,[109] but rose again in April 1974 from 9% to 11%.[110] The company voiced disapproval of this levy in the *Annual Report* in 1974 and 1975. It claimed that the company received a lower level of service than NAC and had built several of its own facilities, so should not be subject to as high a levy as other operators.

World Airways charter flights brought in international visitors in the off-season.[111] This was experimenting with different ways of setting prices in the aviation industry. The MCG gained an advantage through higher utilisation of its off-peak flight capacity.

Taxes were an issue for the company. A 10% travel tax was mentioned in 1977 *Annual Report*. The 5% revenue tax on airline travel in 1980 was making New Zealand an unattractive holiday destination for New Zealanders.[112]

The National government was beginning to loosen industry regulation. Transport was one of the first industries to undergo deregulation. The permitted distance for freight to travel by road was increased to 150 kilometres 1978, which increased the possible work for the freight division.

High petrol prices and rationing in 1979 had potential to result in higher usage of coach services,[113] although it also affected MC's own costs. Fuel price increases in 1980 again affected performance while fare increases still needed to wait for government approval.[114]

8.7 Competition and Government Involvement

Relations between the group and the government continued to be multi-faceted. Cooperation between NAC, Air New Zealand, Queenstown hotels and the company for Ski-Hi packages was successful. These packages combined accommodation, transport and lift passes for ski holidays.

The "utmost co-operation" of NAC was acknowledged in 1967 and continued throughout this period, with co-ordination of flight routes and NAC's acting as guarantor for loans on aircraft.[115] The *Annual Report* of 1969 noted negotiations between NAC and MCA for Rotorua-Mount Cook-Queenstown service, and hoped to be in operation within two years.[116] The Rotorua-Christchurch service was granted to NAC in May 1971, with plans to commence service on 20 August. A high level of cooperation occurred between NAC and MCA to connect services to and from the resorts served by MCA.[117] MCA began operating the Auckland-Rotorua-Christchurch route for NAC in October 1973. Reference was made to the close working relationship between the two entities, epitomised by the shareholding in the Mount Cook Group held by NAC from 1973.[118]

Central government (the Roads Board) and local government (Lakes County Council) combined to offer practical assistance to the group, in sealing the road to Coronet Peak[119] Wigley[120] stated that the road was taken over by the Railways Road Services, and opened to the public before the road was really capable of withstanding the traffic. It was later improved to take the increased traffic.

Sealing of the Queenstown airport runway was paid for by the government. A contribution of $2000 was expected from the company for a temporary runway to use during the six months that the main runway was closed.[121]

The government also provided support to the tourist industry in the form of tax rebates for overseas promotion, hotel financing scheme and increased depreciation allowances amongst other incentives.[122] These resulted from the National Development Conference.

Countered against this assistance, the government continued to operate competing services. Railways kept charges low, and the company therefore had to set their own fares in line. Bitter comments are made in the 1975 *Annual Report* about paying taxes which fund advertising of Railways services – their competition.[123]

Further cooperation between NAC and MCA took place in 1974 on Civil Aviation requirements for the Bay of Islands operation.[124] Amphibian aircraft were operated in this area, with a land airstrip set up at Kerikeri becoming operational in March 1977.[125]

Private operators also competed with the group. SPANZ was still a concern to the company at the beginning of this period. A review of Te Anau/Invercargill and Queenstown/Dunedin services in 1965 showed these services were operating at a loss, but the company elected to continue services to keep SPANZ out of the area.[126] The Te Anau/Invercargill service was suspended at the end of October 1965. SPANZ went into receivership and ceased operations at end of February 1966. Pressure was placed on NAC by the public to pick up SPANZ's routes.[127] NAC wanted MC to pick up the Oamaru services.[128]

Trans Holdings Ltd (Trans) suffered a cash liquidity problem in July 1971, which was reported in the papers.[129] Mount Cook Group would have watched this situation closely, as Trans operated in very similar area. Christchurch-based, Trans operated coach tours, ran hotels in Queenstown, Te Anau and Christchurch, and a travel office in Sydney, Australia. They diversified into cruises with a chartered Russian boat in 1969.[130] The chairman, Mr Cronin, was quite direct that the tours division had made a loss during the previous year, and the liquidity problem was the result of the bank not extending its overdraft as it had at the same time in previous years.[131] UEB took over the company in April 1979 for $9m.[132]

Midland Coachlines Ltd filed a prospectus investigated by Mr Hugh Beattie, who also advised Mount Cook Group, to issue 200,000 ordinary shares at $1 plus 18c premium. Midland Coachlines, a Christchurch-based transport and tourism group, ran the Starliner bus service daily between Christchurch and Dunedin and had a body building department. Midland had diversified into rental cars in 1952 and became a major operator in the nation-wide Tasman Rental Car system. It also acquired Edwards Motors Ltd in 1969.[133] Midland had strong parallels with the Mount Cook Group in the scope of its operations. Geographically, it operated along the East Coast of the South Island, while MCG operated through the interior of the South Island.

An association with Jet Set Tours, a tours wholesaler in Australia, was formed in 1978.[134] This expanded the potential market for the company, without requiring new staff and offices in Australia. As this was an exclusive arrangement, it attempted to usurp Air New Zealand as the connecting carrier on arrival in New Zealand. The cessation of this arrangement in 1980 would support this interpretation as Air New Zealand's stronger influence in the group began at this time.[135] In addition, Air North ceased flying Auckland to Rotorua in 1978/79, resulting in increased custom on MCA flights.[136]

8.8 Conclusion

Positive operating cash flow was insufficient to finance the phenomenal growth that the group underwent in this period. Further cash was readily raised from the public, probably due to the attraction of the 'glamour' of the industries the group operated in.

The group's growth in this period was most commonly through acquisition of competitors. This had two effects: instant growth in revenue, and elimination of a competitor, thus increasing market share.

An increased awareness of professionalism was apparent during this period. The group was clearly growing beyond the scope of one individual to manage alone. The board grew from seven to ten directors at the end of this period, with only two directors serving throughout this period; HRW and McKenzie.

Competition was also growing, so it was necessary to maintain growth to keep pace with competitors and a growing market. Growth was also necessary to avoid the risk of being absorbed by competition. The threatened takeover during 1979 demonstrated this need.

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[1] Directors' minutes, AGM of shareholders, 19 October 1977.

[2] *Annual Report*, 1968, p.4.

[3] *Annual Report*, 1968, p.4.

[4] *Annual Report*, 1979, p.6.

[5] Directors' minutes, 2 July 1969.

[6] Aimer, 2000, p.161.

[7] *Annual Report*, 1970, p.6.

[8] *Annual Report*, 1970, p.6.

[9] *Annual Report*, 1973, p.16.

[10] *Annual Report*, 1973, p.18.

[11] Private communication, AR Giles, October 2000.

[12] Private communication, AR Giles, October 2000.

[13] *Share Exchange Offer*, Companies Office file, 1972.

[14] Directors' minutes, 9 April 1979.

[15] Directors' minutes, 21 May 1971 and 14 October 1971.

[16] Directors' minutes, 24 February 1972.

[17] *Prospectus*, 1972.

[18] *Annual Report*, 1975, p.9.

[19] *Annual Report*, 1969, p.5.

[20] Directors' minutes, 19 March 1971.

[21] *Annual Report*, 1974, p.8.

[22] *Annual Report*, 1966, p.4.

[23] *Annual Report*, 1967, p.4.

[24] *Annual Report*, 1966, p.4.

[25] *Annual Report*, 1966, p.5.

[26] Directors' minutes, 7 July 1967.

[27] Directors' minutes, 7 July 1967.

[28] Directors' minutes, 3 August 1967.

[29] *Annual Report*, 1969, p.4.

[30] *Half Yearly Report*, December 1971.

[31] *Annual Report, 1973*, p.16.

[32] Directors' minutes, 21 July 1976.

[33] *Annual Report*, 1980, p.6.

[34] Canterbury Museum, 163/82, Box 169.

[35] *Annual Report*, 1970, p.6.

[36] Directors' minutes, 6 December 1972.

[37] Directors' minutes, 24 March 1970.

[38] *Annual Report*, 1971, p.6.

[39] Airline division report to the board, October 1978.

[40] Directors' minutes, 15 October 1974.

[41] Airline division paper to the Board, 13 September 1978 and Directors' minutes, 13 September 1978.

[42] Directors' minutes, 6 August 1969 and AGM minutes, 10 September 1969.

[43] *Annual Report*, 1969, p.5.

[44] *Annual Report*, 1969, p.5.

[45] *Annual Report*, 1970, p.6.

[46] *Annual Report*, 1974, p.8.

[47] *Annual Report*, 1971, p.6.

[48] *Annual Report*, 1971, p.6 and *The Auckland Star*, 24 December 1970, p.1.

[49] *Annual Report*, 1975, p.9.

[50] *Annual Report*, 1976, p.9.

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[51] *Annual Report*, 1976, p.9.

[52] *Annual Report*, 1976, p.10.

[53] Directors' minutes, 7 December 1978.

[54] Directors' minutes, 24 July 1979.

[55] *Annual Report*, 1970, p.7.

[56] *Annual Report*, 1978, p.7.

[57] *Annual Report*, 1978, p.7.

[58] *Otago Daily Times*, 7 August 1971. Canterbury Museum, 163/82, Box 169.

[59] Directors' minutes, 16 November 1970.

[60] *Annual Report*, 1969, p.5.

[61] *Annual Report*, 1971, p.7.

[62] Directors' minutes, 7 December 1977.

[63] Directors' minutes, 15 March 1978.

[64] Directors' minutes, 20 April 1978.

[65] Directors' minutes, 7 December 1966.

[66] Directors' minutes, 7 December 1967.

[67] *Annual Report*, 1969, p.4.

[68] *Annual Report*, 1974, p.11.

[69] Directors' minutes, 16 November 1971.

[70] *Annual Report*, 1974, p.11.

[71] *Annual Report*, 1975, p.10.

[72] *Annual Report*, 1980, p.9.

[73] Directors' minutes, 10 November 1976 and 8 December 1976.

[74] *Annual Report*, 1980, p.9.

[75] Directors' minutes, 21 May 1980.

[76] *Annual Report*, 1980, p.10.

[77] Thomson, ed. 1998, p.560.

[78] Canterbury Museum, 163/82, Box 175.

[79] Directors' minutes, 31 October 1968.

[80] Aimer, 2000, p.163.

[81] Directors' minutes, 13 November 1974.

[82] *Annual Report*, 1978, p.8.

[83]Directors' minutes, 15 November 1978.

[84] New Zealand Department of Internal Affairs, 2000.

[85] Directors' minutes, 28 June 1972.

[86] Lambert, 1991, p.601.

[87] Directors' minutes, 26 April 1968.

[88] Directors' minutes, 12 November 1969.

[89] Directors' minutes, 24 March 1970.

[90] Directors' minutes, 7 December 1978.

[91] Directors' minutes, 17 April 1969.

[92] *Annual Report*, 1980, p.4.

[93] Directors' minutes, 19 April 1975.

[94] Directors' minutes, 28 May 1975

[95] Directors' minutes, 24 May 1978.

[96] Directors' minutes, 24 July 1979.

[97] Directors' minutes, 16 April 1980.

[98] Directors' minutes, 16 March 1977.

[99] Directors' minutes, 26 July 1977.

[100] *New Zealand Official Year Book*, 2000.

[101] Directors' minutes, 30 April 1977.

[102] Directors' minutes, 16 August 1978.

[103] *Annual Report*, 1968, p.4.

[104] *Annual Report*, 1968, p.4.

[105] *Annual Report*, 1968, p.5.

[106] National Development Conference, 1969, p.12.

[107] National Development Conference, 1969, p.127.

[108] National Development Conference, 1969, p.133.

[109] *Annual Report*, 1972, p.6.

[110] *Annual Report*, 1974, p.9.

[111] *Annual Report*, 1976, p.9.

[112] *Annual Report*, 1980, p.6.

[113] *Annual Report*, 1979, p.4.

[114] *Annual Report*, 1980, p.5.

[115] *Annual Report*, 1967, p.4.

[116] *Annual Report*, 1969, p.4.

[117] *Thermalair*, 15 May 1971. Canterbury Museum, 163/82, Box 169.

[118] *Annual Report*, 1974, p.9.

[119] *Annual Report*, 1967, p.4.

[120] Wigley, 1979, p.98.

[121] Directors' minutes, 15 December 1967.

[122] *Annual Report*, 1970, p.7.

[123] *Annual Report*, 1975, p.10.

[124] Directors' minutes, 24 July 1974.

[125] Directors' minutes, 16 March 1977.

[126] Directors' minutes, 29 June 1965.

[127] Aimer, 2000, p.161.

[128] Directors' minutes, 8 February 1966.

[129] The *Press*, 29 July 1971, p.18. Canterbury Museum, 163/82 Box 169.

[130] Trans Holdings Ltd, *Annual Report*, 1969.

[131] The *Press*, 29 July 1971, p.18.

[132] *The Press*, 4 April 1979, p.1 and p.18.

[133] *The Star*, 5 October 1970, Canterbury Museum, 163/82, Box 169; Midland Coachlines Ltd, *Annual Report*, 1969.

[134] *Annual Report*, 1978, p.6.

[135] *Annual Report*, 1980, p7.

[136] *Annual Report*, 1979, p.4.

Chapter 9

The Money Men Move In: 1981-1985

9.1 Introduction

This period opened with the introduction of a new chairman to the board, following the death of HRW. The trend shown by the group in the previous period to take over smaller operators ended, and a battle for control of the group commenced. Control was contested over an extended period of time, with Transport Nelson Ltd, Air New Zealand and Dominion Breweries Ltd (DB) all attempting at different times to gain control. These disruptions created uncertainty and lowered staff morale.[1] The Goodman Group briefly held a significant stake in the group, before Air New Zealand eventually took a majority shareholding.

There was a clear change in tone of the directors' minutes. The prevalence of accountants on the board was reflected in the nature of matters recorded. The focus changed to smaller details. For example, donations made were individually listed (up to March 1985 when it was agreed that the chairman and chief executive could handle these and report periodically) and the amount of bad debts written off was recorded.

The minutes indicated a new emphasis on monitoring past performance, with less evidence of discussion of long-term plans. The last project that HRW began, demonstrating his strategic direction, to fly trans-Tasman services, was shelved in February 1981 and was never revisited. Long-term plans were less apparent than in the past, indicating a loss of vision and direction.

Few new projects were started during this period. Several ideas were presented and discussed, but rejected due to high capital requirements, or an inability to prevent other competitors setting up similar operations.

This period closed when Air New Zealand gained control of the group. During this period it was evident that the group risked losing its independent identity, with several contenders attempting to take over the group. The tables had turned and the group was now on the other side of the expansion it experienced in the seventies, having become the threatened party about to be absorbed.

Figure 9.1: Consolidated Balance Sheet as at 31 May 1981 (in $'000)

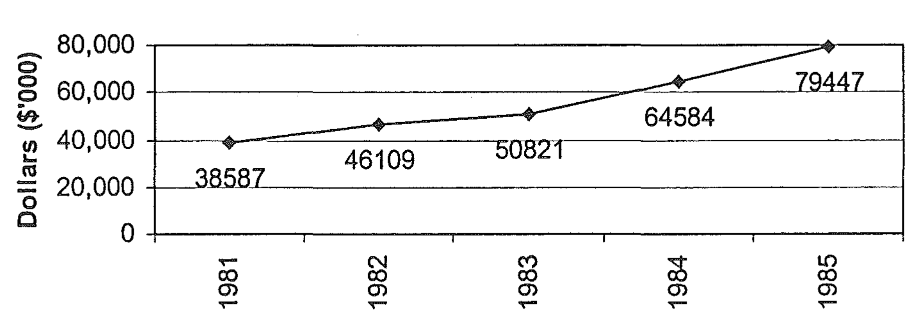
Current Assets			Current Liabilities		
Cash on Hand	153		Bank overdraft	945	
Trade Debtors	3 925		Creditors & accrued charges	4 611	
Other Rec & prepayments	1 356		Proposed dividend	809	
Tax refund due	782		Loan payments due before 31 May 1982	579	
Stock in Trade	3 334	9 550	Provision for exchange fluctuations	(24)	6 920
Long Term Assets			Other Liabilities and Provisions		
Term Debtors	162		Prov'n maintenance	233	
Investment in Assoc. co	2 989		Prov'n deferred tax	1 295	1 528
Investment in other companies	36		Term Liabilities		
Other investments	120	3 307	Loans on aircraft and vehicles	414	
Fixed Assets			Debentures and Mortgages	825	
Land	1 530		Provision for exchange fluctuations	(19)	1 220
Buildings	2 593		Interest of Minority shareholder		63
Airport and Land Development	743		Owners' Equity		
Motor vehicles & plant	5 133		Ordinary Capital	6 224	
Aircraft	4 998		Specified Preference Capital	2 489	
Capital work in progress	448	15 445	Capital Reserve	5 605	
			Retained Profits	5 326	
			Premium on Consolidation	(1 073)	18 571
		28 302			28 302

Source: *Annual Report*, 1981

9.2 Traditional Analysis

Conventional indicators of performance suggest that the group continued in reasonable form. There was steady growth in gross revenue (see Figure 9.2), which more than doubled in the five years of this period. High inflation during this time would normally have aided this result, but a price freeze introduced in 1982 made increasing prices impossible without government's approval. The growth was achieved because of an increase in the number of overseas visitors to the country, and through the recording of the government's Export Performance Incentive payment as revenue.[2]

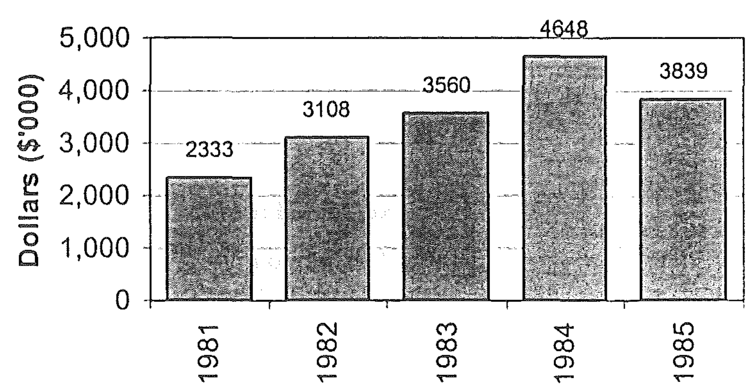
Figure 9.2: Gross Revenue 1981-1985



Source: *Annual Reports*

Net profit after tax (Figure 9.3) climbed satisfactorily during this period, slipping back in 1985. The decline was attributed to a combination of factors: a poor ski season, devaluation increasing overseas costs and the existing price freeze.

Figure 9.3: Net Profit after Tax 1981-1985



Source: *Annual Reports*

The decline in net profit after tax is particularly apparent when the net profit is seen as a percentage of gross revenue for each year (see Table 9.1). The trend was improving up until the last year, when the decline is noticeable. The same trend can be seen in the return on assets (net profit/assets) in Table 9.2.

Table 9.1: Net profit / Gross Revenue 1981-1985

Year	Net Profit / Gross Revenue (in $'000)	Percentage
1981	2 333 / 38 587	6.0%
1982	3 108 / 46 109	6.7%
1983	3 560 / 50 821	7.0%
1984	4 648 / 64 584	7.2%
1985	3 839 / 79 447	4.8%

Source: *Annual Reports*

Table 9.2: Return on Assets 1981-1985

Year	Net Profit / Assets (in $'000)	Percentage
1981	2 333 / 28 302	8.2%
1982	3 108 / 37 082	8.4%
1983	3 560 / 39 615	9.0%
1984	4 648 / 49 173	9.5%
1985	3 839 / 66 864	5.7%

Source: *Annual Reports*

For the first period under examination in this thesis, the working capital maintained a level above 100%, showing that the group was in a much more sound position to satisfy its external debtors. Its level was not high, but was sufficient to show that short-term debts could be met without the need for drastic measures, such as selling assets, or raising equity to pay debts (see Table 9.3).

Table 9.3: Working Capital Ratio 1981-1985

Year	Current Assets / Current Liabilities (in $'000)	Percentage
1981	9 550 / 6 920	138%
1982	11 060 / 10 058	110%
1983	12 777 / 11 628	110%
1984	16 366 / 14 548	112%
1985	23 964 / 17 776	135%

Source: *Annual Reports*

An issue of 15% convertible specified preference shares was fully subscribed in 1981. The offer was made on a 1-for-5 basis to existing shareholders to raise funds to purchase additional shares in Travelodge Ltd and to provide working capital.[3] The issue was not finalised in time for the 1981 *Annual Report*, but appeared in the comparative figures presented in 1982. Unspecified difficulties with the share registrar led to a change to New Zealand Insurance (NZI).

An issue of 1 741 720 ordinary shares took place in October 1984, bringing $6.096m into the group. This share issue provided funds for the new ski field on the Remarkables.[4]

Innovation, which had previously been demonstrated in the activities of the group, was seen in the 1982 *Annual Report*. It was accompanied by a small record called "On Wings and Wheels of Sound," recording the voices of staff and sounds of the activities of the group. Phillips, the managing director, commented on the recording about working for the group: "... all the people ... enjoy working for the Mount Cook Group ... we're a fun company in many ways." This recording was an exciting example of innovation by the company after HRW's death, albeit unrelated to operations. It also an illustration of the use of annual reports as a means of 'selling' a company.

The *Annual Report* in 1983 was published in two parts: the *Annual Report*, which was unaudited and included the chairman's report and other narrative information, and the *Directors' Report and Financial Reports*, which included all the financial information and the requirements of the Companies' Act. These were accompanied by a brochure *Mount Cook Line – Inside New Zealand* promoting the group's services and providing small pieces of historical information. The package clearly demonstrated the use of annual reports as tools of promotion.

Further enhancements appear in 1985, with a small summary of each director's experience along with individual photos of the directors. The group was by then large enough that the shareholders could not reasonably be expected to know who the directors were and the affiliations they held. This was in stark contrast to the leadership of HRW, when it was well-known that he was the managing director.

In accordance with developing trends in accounting, leased assets were capitalised where appropriate from the 1982 *Annual Report*, (and backdated to June 1981). The New Zealand Society of Accountants' standard on accounting for leases (SSAP-18) was not introduced until July 1985, so the company was an early adopter of this new accounting treatment, providing evidence of the dominance of accountants on the board during this period. The Notes to the Accounts show that the net profit was increased by $168 137 in 1982 ($84 371 in 1981),[5] which would have been an incentive to adopt this accounting treatment. The company's report was used as an illustrative example by Ryan et al in *New Zealand Company Financial Reporting: 1984*.

The presence of accountants as directors did not necessarily lead to full compliance with accounting regulations. Current cost accounting information was not published in 1983, despite the existence of accounting standards requiring this information. The data, however, was allegedly prepared for internal use.[6] The audit report was qualified, due to this omission. As this standard was widely ignored by businesses the qualified report would not have caused concern amongst shareholders and other report users.

The auditor's letter to management, however, did raise concerns about weaknesses in procedures and controls[7] and the board decided to hire a suitably qualified person to implement the necessary changes. The board requested progress reports on this remedial action, providing another example of the board acting as accountants dealing with past performance, rather than directors addressing the future direction of the group.

The debt to equity ratio deteriorated during this period. It began at 52%, a comfortable level, and ended the period at 109%, more than double its level in 1981 (see Table 9.4). Once again, this high level of indebtedness should alarm investors.

Table 9.4: Debt to Equity Ratio 1981-1985

Year	Debt / Equity (in $'000)	Percentage
1981	9 731 / 18 571	52%
1982	16 918 / 20 164	84%
1983	18 561 / 21 054	88%
1984	25 353 / 23 820	106%
1985	34 916 / 31 948	109%

Source: *Annual Reports*

The proprietorship ratio (equity/total assets) was stated as 48% in the 1985 *Annual Report*, indicating that the group itself was keeping watch on this ratio. No comparative figures from previous years were provided with this comment, but this ratio was at its lowest level since 1978, when it had been 42%. Capitalisation of the leased assets from June 1981 would have reduced this ratio by increasing reported assets and reported liabilities, thereby reducing the relative proportion of equity.

9.3 OCFAID

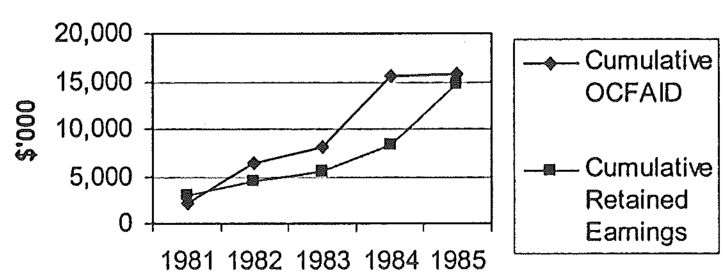
Operating cash flow throughout this period continued its positive trend (see Figure 9.4 and Table 9.5). A reasonable level of growth was achieved in retained earnings, suggesting that the group was returning to a financially stable position. The growth in retained earnings showed that resources were being retained within the group for growth.

Table 9.5: OCFAID 1981-1985

Year	OCFAID ($'000)	Cumulative OCFAID ($'000)	Retained Earnings ($'000)	Cumulative Investing Cashflow ($'000)
1981	2 116	2 116	2 945	-3 030
1982	4 224	6 340	4 538	-8 333
1983	1 841	8 181	5 428	-12 274
1984	7 281	15 462	8 194	-21 491
1985	207	15 669	14 580	-35 263

Source: *Annual Reports*

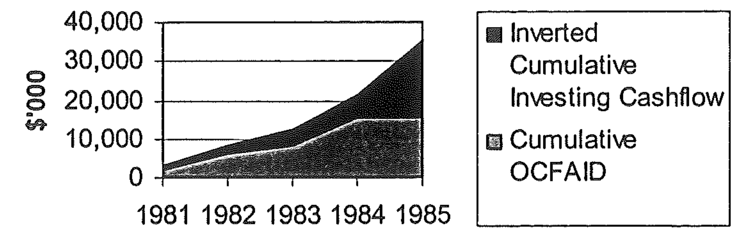
Figure 9.4: OCFAID 1981-1985



Source: *Annual Reports*

The trend for the investing cash outflow to exceed the positive operating inflow continued through this period (see Figure 9.5 and Table 9.5). Once again, the last year in this period showed the largest variance between the two cash flows. The investing cash flow significantly exceeded the operating cash flow, which must be covered by additional financing inflows.

Figure 9.5: Operating and Investing Cash Flows 1981-1985



Source: *Annual Reports*

9.4 Potential Takeovers and Changing Shareholdings

The first documented threat to the group arose in September 1983 resulting in three special board meetings to discuss the potential takeover. Air New Zealand planned to increase their shareholding to 45% by purchasing a 20% shareholding from NZI Insurance. The TNL Group Ltd (TNL) also made a takeover offer on 7 October 1983 but this offer failed to gain favour with the Mount Cook directors. The chairman, Mr Steele, expressed an opinion that sufficient shareholders would prevent TNL from gaining a controlling interest at this stage. An unknown buyer, rumoured to be Rangatira Ltd or Cable Price Downer Ltd (both of which Steele was a director),[8] had entered the market to buy up to 20%. The buyer was subsequently revealed to be Dominion Breweries Ltd, which had had a long association with the group[9] including a period when HRW was a director on their board.

Patterson, previously a director of National Airways Corporation, pointed out that even if the bids from both Air New Zealand and TNL were unsuccessful at this stage, the group was likely to be subject to other offers, and for that reason, the offer from Air New Zealand was more appealing. A general consensus that Air New Zealand was less hostile towards the group than TNL suggested that the airline was the major component of the group and the claim to be in the transportation industry had perhaps lapsed, while the aviation industry would be a more appropriate description. A further indication of the company's attitude to the TNL offer was seen in the actions of the chairman, Steele, who was recorded as only referring to TNL as "that other party."

The Commissioner of Commercial Practices approved an increase in Air New Zealand's shareholding to only 30%, rather than the 45% requested. Negotiations which had occurred between the two companies were therefore largely irrelevant. A proposed letter of intent was cancelled and board representation, which had not been agreed, remained unresolved.

DB, holding 35% of the company's shares at the end of the 1983 financial year, was also keen to increase its shareholding during 1984. LW Brown, DB's representative on the board, suggested the August share offering be increased to $4 million.[10] The offer was made on a 1 for 5 basis, to a maximum of 1 742 592 shares. DB's offer to purchase any shares not taken up by eligible shareholders was accepted by the board. DB increased its shareholding to 47% before it decided to sell its shares in 1984.

9.4.1 A second crisis

A further shareholding crisis occurred in December 1984, when DB decided to sell its 47% shareholding. In May 1985 they still held 23.9% of the total shares, but did not appear amongst the top ten shareholders after that date.[11]

DB and Air New Zealand had a mutual agreement to buy each other's shares. DB advised Air New Zealand of their wish to sell, and Air New Zealand accepted the offer of their shares one and a half days later. In the meantime, DB had also offered its shareholding to the Goodman Group, who also accepted the offer. Air New Zealand received a temporary injunction to prevent the sale to the Goodman Group from proceeding.

Air New Zealand was keen to increase their shareholding in the Mount Cook Group. The government was happy for Air New Zealand to own up to 77% of Mount Cook as long as it maintained a separate identity.[12] Although this prevented Air New Zealand from owning the whole group, a level of 77% shareholding would ensure that the group could do little without the approval of Air New Zealand.

MF Hunter, an Air New Zealand representative on the board, presented the idea that DB was a front for Brierley, as RA Brierley was a member of their board of directors, and that Goodman was a front for TNL, as PLB Goodman was on their board of directors. Hunter implied that the group would wish to prevent ownership by either party. In contrast, Air New Zealand was in a complementary business and the question of shareholding needed to be settled for the sake of the future of the company.[13]

9.5 Operations

9.5.1 General Comments

The first strike in the company's 70-year history was suffered in December 1980, just two months after HRW's death. The strike lasted three days, and involved the Airline Stewards and Stewardesses' Union.

Further staff unrest was shown in a letter sent from the staff to the board of directors in August 1983 expressing concern over the future of the airline division. It was thought this may have resulted from the failed trial of British Aerospace BAe 146 aircraft.

Industrial action by both Air New Zealand and Qantas staff early in 1981 also affected the group as tourist traffic to and from New Zealand was disrupted.

Tightening of annual leave provisions occurred in July 1982, requiring staff to take leave within 12 months of it falling due, except where industrial awards allowed otherwise. Although this would have been a prudent measure to control accumulating costs and limit future cash outflows by reducing potential lump sum payments, its likely effect was a further reduction in staff morale during uncertain times.

Computerised reservations for air and coach services were integrated in 1981. Assistance was received from Air New Zealand in setting up this project. The purchase of a new computer was authorised in March 1984 as the existing system could not handle the increasing volume of work.[14]

Intentions for the airline to expand into Australia were announced in August 1980, but were shelved following HRW's death, citing limited resources as the reason.[15] This project aimed to ensure that Australians who flew across the Tasman to ski were able to catch a connecting flight to Queenstown, thus saving a night's stay in Christchurch.

Direct flights to Queenstown from Australia were not feasible until July 1998, following extension of Queenstown airport's runway. The forced overnight in Christchurch was encouraging increasing numbers of skiers to stay and ski at Mt Hutt.[16] The group came under pressure to leave the trans-Tasman competition alone, and the project was shelved, claiming limited resources as the cause. The project was to be reconsidered after the Remarkables skifield was "out of the way".[17] The ski field encountered several setbacks, as discussed below, and the trans-Tasman service never re-entered the agenda.

9.5.2 The Airline

A new aircraft, the British Aerospace BAe146, later used by Ansett New Zealand, was evaluated. Although it performed well, and was able to be flown in conditions that grounded the HS748s, a purchase was not made due to lack of growth in the route structure.[18] This decision to stay with the existing turbo-prop aircraft contributed to the end of the group's independence. The high capital outlay required for the BAe146s was prohibitive without expected growth in passenger numbers.

The decision to not upgrade the aircraft was made despite recognition that "[o]ur main airline division … is now a substantial contributor to the Group's profit"[19] 21 years after its establishment.

Limited resources within the group continued to be a problem, and posed a choice between expansion of the airline in 1983, and continuance of the development of the Remarkables ski area. Opposition to the expansion of the airline was expressed by Hunter, an Air New Zealand appointee, who questioned the commercial viability of the proposal, and its ability to compete directly against Air New Zealand.[20] The *White Paper on Aviation*, combined with pressure from British Aerospace to close a sale resulted in the board pulling back from committing themselves and the group failing to commence expansion into the main trunk line at that time. This was possibly the fatal move for the group which resulted in its eventual absorption into Air New Zealand. Phillips was quoted in the minutes as saying "the company must grow or go backwards." This would appear to be the point at which the board decided against growth.

Concern was expressed that the eventual domestic aviation policy might leave the group out in the cold, facing competition without fair access to the more popular main trunk lines.[21]

Aircraft were leased to other airlines to provide revenue for the group.[22] Criticism was made by Robb that an aircraft on lease year-round was clearly surplus to requirements and questioned the wisdom of this investment.[23] Phillips stated that this was profitable. In fact, leasing in off-season made the airline division break even.[24]

Upgrading of aircraft helped to appease passengers on the Auckland-Rotorua and Auckland-Kerikeri routes. The new aircraft, the Piper PA-31 Chieftain, was faster and more comfortable, although it had a 9-seat limit.[25] In January 1984 the aircraft was replaced with a Twin Otter, which had a seating capacity of 18.

New aircraft were not the only changes to the airline's image. The entry of a new competitor, Newmans Airlines, led to redesigning the interior of the HS748s and the introduction of new corporate colours of white, orange and blue. Traditionally the company had used white and blue. Orange was a modern addition to the corporate palate, and represented the beaches of Northland.

Lifting of the price freeze in February 1984 failed to help the airline division, as new competition from Newmans Air forced prices to remain at a lower competitive level.

9.5.3 Air Services

Air services, renamed within the group as General Aviation, introduced Pilatus Porters as new aircraft for flightseeing services in 1982.[26] These aircraft were larger in capacity with improved comfort and visibility for passengers.

Heli-hike cooperation between the group and Tourist Hotel Corporation utilising a helicopter based at Franz Josef was proving popular. While HRW had been opposed to the use of helicopters, the group operated helicopters after his death on the rationale that others would be willing to operate them, and take the market from their fixed wing services.

Increased tax on aviation gas struck air services hard, particularly as a rebate was removed at the same time. Effectively, costs increased by 11.2 cents per litre during 1982.[27]

A significant shortfall in revenue for the general aviation division occurred in 1983,[28] resulting in cutbacks in this division. Concerns about the future profitability of the agricultural aviation were expressed in 1983, due to anticipated changes in licensing. The Te Anau floatplane operation was sold during 1983 year, to a pilot.[29]A new hangar was completed in 1984 to protect aircraft at Mt Cook from high winds.[30]

Accidents plagued this division. A fatal accident occurred in the agricultural division in 1984, taking the life of a loader driver.[31] Two accidents occurred in the skiplane division in 1985, with one resulting in three fatalities. The flights remained popular despite these setbacks, and further new aircraft were introduced later in the year.[32]

9.5.4 Coaches

Coachlines were still controlled during 1981 by passenger licences, and they remained the second largest revenue earning division of the company at this time.

Problems with lack of profitability in providing urban services in Napier throughout this period.[33] The division was sold in 1985.

9.5.5 Mount Cook - Denning Coaches

Seven acres of land was purchased in Hornby, Christchurch in the year ending 1982. The Mount Cook-Denning factory was the first to move to this new site.

In 1984, the MC-D factory was unable to meet the demand for new coaches and vehicles had to be bought from outside the group. [34] Five further vehicles were produced in 1985, and the factory was expanded to accommodate greater production.[35]

9.5.6 Freight Services

Freightlines were adversely affected by a freezing workers' strike in 1981.[36] An increased level of investment was approved by the board during 1982, to save costs in repairs and maintenance, but also in anticipation of expected changes in transport regulation, to portray an updated public image in anticipation of greater competition. Closure of this division was considered, but it was possibly saved by a downturn in visitor numbers which affected the tourist-oriented services. Involvement in the transport business was cited as a reason to retain this division,[37] and the diversification it brought to the group would have been valuable during the downturn. The *Annual Report* in 1983 warned of imminent changes in the competition that this division would face as the transport sector was deregulated. Sale of this division was still under consideration in 1983, but was deferred pending deregulation.

9.5.7 Ski Activities

Ski package sales were limited in 1981 by a shortage of trans-Tasman flights,[38] yet no mention was made at this point of the shelved plan to fly trans-Tasman itself. Special airfares between Auckland and Christchurch helped improve package sales out of Auckland by over 500%.[39]

An excellent ski season at Coronet Peak in 1980 taxed facilities and highlighted the need for an alternative ski field at the Remarkables.

Skiers continued to demand improved services, resulting in improvements to catering services in 1982. A local caterer was contracted, which was well received.[40]

A poor ski season in the North Island in 1983 led to an increase in the number of North Island skiers travelling south for better snow.

A new base station at Coronet Peak was opened in May 1984,[41] in time for the 1984 ski season. A well-known local architect, Mr John Blair, was commissioned for this project.[42] Its estimated total cost was $1.3 million.[43]

Funding was committed to the development of snowmaking facilities at Coronet Peak in 1983. The ski field was the first in New Zealand to try the technology from overseas to test its suitability to New Zealand's environment.

The addition of lights to the double chairlift enabled the group to claim another first: the first commercial ski field to offer night skiing.[44] Phillips had seen night-skiing in the US, but it was Sugar Robinson, the ski area manager, who eventually persuaded the board to fund the installation of lights at Coronet Peak, and the company achieved another "first" in the country.

An unusual addition was made to Coronet Peak's services. An "alpine slide" was added in 1982/83 and helped to generate cash from this site during the summer months.[45]

9.5.7.1 The Remarkables

Difficulties in funding the development of The Remarkables ski area continued. Despite approaches to the government, assistance was not provided, and a joint venture with another company was considered.[46] By October 1983 plans for a share issue to raise the funds to develop the ski area commenced, and although alternative finance was still sought, shares were issued in September 1984. The forecasted opening date was June 1985. The 1985 *Annual Report* comments on progress and an expected handover date of 30 June.

Given the decision not to purchase BAe146s, resources were then more readily available to commit to the development of the Remarkables.

9.5.8 Other Services

Mount Cook Northland expanded its operations by introducing a catamaran to Auckland Harbour in 1981.[47] The catamaran was built for the company in Whangarei for about $400 000 from a design seen in Tasmania, and was the first to operate in the Bay of Islands.[48] Operations in The Bay of Islands were so successful, operating at 98% capacity in January 1982, that the second catamaran was moved from Auckland to the Bay of Islands in late 1982.[49] Plans to replace the first catamaran with a larger one were underway in 1985.[50]

Some travel offices were closed during 1981, including the Timaru office.[51] HRW had been strongly opposed to closure of the Timaru office, as the roots of the company were based in South Canterbury. It is unlikely this closure would have been possible had HRW been alive.

The possible acquisition of 25% of Atlantic & Pacific, a travel agency chain, was discussed in August 1983. This shareholding was held by Midland Coachlines. No evidence was found that this transaction went ahead. The group encountered its first shareholding crisis in September 1983, which would have taken priority over further acquisitions. No further discussion of the matter was recorded in the directors' minutes.

Car rental services were falling behind competitors' performance in October 1982. Diversification into commercial vehicles and campervans was considered. Investment had occurred in 1981, with the addition of nine new cars and replacement of nine others.[52]

Discussion on the future of the Napier-based Avis rental car division in 1984 divided the board. The former directors of Hawkes Bay Motor Co. Ltd were in favour of retaining this operation as a means of spreading overhead costs. Its disposal was resolved at the December meeting.[53]

In May 1983 the acquisition of Hertz Rental Cars was investigated. Once again, a number of directors expressed concern at the high level of capital this would require. The tourism sector is capital intensive,[54] with high returns also carrying high risks. High capital commitment is therefore a part of the business they operate in. The high level of risk aversion shown by the board precludes the opportunities to earn the high returns that the riskier projects may return. Herein also lies the benefit of a diversified group such as MCG: other divisions can help to bear the losses until the higher risk projects show returns that warrant the initial investment.

Motor home rental was seen as a potentially valuable diversification in the group. In 1983, acquisition of Maui Camper Rentals was considered. Benefits of this included the removal of a competitor from the market and a quick entry to the growing market. A possible negative result would be the endangering of the Avis franchise in Hawkes Bay.[55] Negotiations to purchase Maui were authorised by the September meeting. These negotiations were broken off, at a late stage, by Maui due to its possible takeover by TNL in October 1983.[56] Negotiations recommenced, but the asking price was thought too high, and the board resolved in April 1984 to establish its own motor vehicle operation. A motor home rental division was consequently established in 1985.[57] It provided three- and six-berth vehicles, which were fitted with ski racks in the winter season.

Shares in the Travelodge were held by the group to protect an interest in accommodation. Another Travelodge shareholder, Rothmans Industries, sought to increase its shareholding by buying shares from Lion Breweries and Fletcher Holdings. MCG did not release its pre-emptive rights to enable this sale. Instead, the group increased its holding by an agreement made between Rothmans Industries Ltd and the existing shareholders of Travelodge NZ Ltd. During the 1983 financial year, the group sold its shares for a gain of $1 456 000. Although its intentions were to hold this interest in accommodation, the opportunity to realise some cash and make a profit was not to be missed.[58] Accounting for these shares was not strictly in compliance with accounting standards. The increased shareholding in Travelodge was not equity accounted in 1981 (revaluation of the shares was considered sufficient), nor again in 1982, claiming consistency and certain future sale as the reasons. The auditor's report was not qualified in either year. The revaluations in 1981 and 1982 were shown as changes in equity, therefore having no effect on the earnings in each year (except for the dividend income received), and the sale in 1983 was at book value, having no effect on profit again in 1983.

Alpine Guides continued to be a minor concern to the group. There was an opportunity to purchase shares in the company from the Coxhead estate in April 1982. Whirlwide Helicopters Ltd was also interested in this shareholding, and preventing this competitor from getting a linkage with the guiding services was desirable. The following year Alpine Guides sought additional capital for staff housing. A recent agreement for Alpine Guides to work only for Whirlwide Helicopters was discussed with Mr Hoy, general manager at THC Hermitage.

The group's interest in Alpine Guides was threatened in October 1984 when THC was given an opportunity to acquire up to 75%. Corner was appointed as alternate director to Marshall on the Alpine Guides' board.[59] THC agreed to maintain their shareholding below 74.9%.

Possible development of a theme park in the Auckland area was considered in June 1982.[60] This was a new direction for diversification, but would move the group away from the core focus of the business: transport (more specifically, aviation) and tourism. A presentation of the proposal was received at the July board meeting, but there was no follow-up to the presentation. A feasibility study for a water theme park was requested, but declined as the directors had read that another similar project was already proposed for Auckland.[61]

The managing director, Phillips, tabled a report in May 1983 to take over Shotover Jet Ltd.[62] The directors agreed that it fitted well with the activities of the whole group. Negotiations with Mr Gamble, Shotover Jet's managing director, were pursued and exclusivity of river rights were sought for ten years. The board was reluctant to engage in any activity where they were unable to secure a monopoly or protection at a minimum. Deregulation was taking place in many sectors at this time and their reluctance to operate in a competitive environment was hindering the development of the group.

Growth during this period was limited to the development of The Remarkables ski area, and establishing the camper van rentals. Several other opportunities were investigated but dismissed due to a lack of capital or too high a perceived level of risk. Several existing operations were closed or sold, attributed to low profitability.

This period could be seen as one of consolidation when the group focused its direction and attention on its tourist-oriented services. Alternatively, scaling down of operations may indicate a high level of caution from the board and an unwillingness to take the risks necessary to yield high returns.

The actions during this period provide a contrast to the entrepreneurship demonstrated by both RLW and HRW as managing directors. Leadership is no longer evident and the board gave little indication of a clear vision for the future.

9.6 The Board

Following HRW's death, RW Steele became the chairman of the board. MF Hunter, an Air New Zealand representative, was added to the board.

Admiral Sir Gordon Tait was welcomed to the board in July 1982. He replaced Giles on the board upon Giles's resignation in August 1982.[63] Tait's service on the board was short-lived. He resigned in February 1984, due to a conflict of interest caused by the shareholding of Dominion Breweries Ltd (DB). Tait was a director for DB's prime competitor, Lion Breweries Ltd. Ironically, Tait was replaced by LW Brown, a DB representative.

Brown resigned a little over a year later as of 25 March 1985 as a result of DB selling its shares to the Goodman Group. GP Shirtcliffe was appointed to the vacant position as a Goodman Group representative. Goodman held 19.9%, but sought to gain up to 47%, and was therefore another contender for control of the group.

Patterson and McKenzie retired from 21 March 1984, and were replaced by JD Dalgety of Air New Zealand and JR Fletcher, another representative of DB. Fletcher resigned in 1985 when DB sold its interest in the company.

The company secretary, TK Cherry, resigned as of the July 1980 meeting. The actions of the Chief Executive were endorsed by the meeting and a large severance pay was negotiated by TK Cherry. D Wadman was appointed as acting company secretary. Wadman resigned in May 1985 and was replaced for a month by M Corner before MJ Aim began on 1 July 1985.[64]

Odell also retired in July 1980, having attained the maximum age for directors of 72, and was granted full retirement allowance. PS Phillips was appointed managing director, in accordance with the resolution made by the board on 23 May 1979.[65] Phillips left the group in November 1984.[66]

Phillips was replaced by Nelson Tolerton, previously with Zip Holdings, Prestige-Holeproof, and Fletcher Concrete Ltd.[67] Tolerton left the group in April 1986, following a period of only 18 months as chief executive. His role was to implement unpopular changes, and to move on for a new chief executive to settle the new structure. Tolerton's role was likely to have been disliked. This tactic of change management was popular in the 1980s.

Table 9.6: Directors during 1981-1985

Director	Professional background	Full term in office	Shareholding (and year quoted) *sps = specified preference shares
PS Phillips	Journalist/ airline manager	1980-84	1000 (1984) + 1700 sps*
RW Steele	Accountant	1968-90	1200 (1985)
RA McKenzie	Accountant	1964-83	2180 (1983)
CO Marshall	Plumber	1968-85	24 490 (1985) + 7653 sps
DA Patterson	Air transport executive	1970-83	1666 (1983)
AR Giles	Accountant	1973-82	7233 (1982) + 2893 sps
RC Dockery	Accountant[i]	1973-85	12 000 (1985)
AH Gould	Auctioneer	1979-end	2344 (1985) + 732 sps
MF Hunter	Professional director	1981-end	1200 (1985)
Sir Gordon Tait	Royal Navy	1983-83	1000 (1983)
LW Brown	Lawyer	1984-84	1000 (1984)
JD Dalgety	Lawyer	1984-88	1200 (1985)
JR Fletcher	Professional director	1984-85	1000 (1985)
GP Shirtcliffe	Accountant	1985-85	1000 (1985)

[i] Dockery did not complete his formal training as an accountant due to the Second World War (Petersen, 1971).

Sources: *Annual Reports*, *Who's Who in New Zealand* and miscellaneous newspaper items.

A special meeting was called in January 1981 at which finances were discussed, and the need for further cash considered. A possible share issue was to be considered. The Chair, Mr Steele, also reported on a number of approaches from companies with a view to rationalisation within the industry. These offers came only three months after HRW's death as competitors saw an opportunity to exploit the company's position without strong leadership. At this meeting it was decided to acquire a 50 or 75% holding in Travelodge NZ Ltd, to "strengthen the company's overall financial position."[68] As detailed above, the shareholding was temporary.

Expansion of the group, or rationalisation of the industry, was discussed without any details being recorded in the directors' minutes early in 1981. The directors decided not to pursue any options at that time. The lack of detail suggests an awareness of commercial sensitivity. A sub-committee of Steele, Gould, Dockery and Phillips was formed to handle these considerations.[69]

Discussion of accounting details was recorded in the directors' minutes. In December 1981 adoption of lease accounting was discussed, and the benefit of reporting finance leases, over the rental method was discussed. This detail would not normally be a board matter, but it demonstrates the dominance of accountants on the board, dealing with matters that are within their area of expertise.

The Chairman expressed concern on the accuracy of accounting and reporting in some divisions upon receiving the managing director's report for the 12 months to May 1983. He also stated that "past decisions involving large capital expenditure had been based in some instances on incorrect information."[70]

Several financial reports were received at the August 1983 board meeting, including a report covering "timeliness, accounting methods, and accuracy of reporting."[71] The danger of this focus on accounting information is that the time horizon rarely extends beyond the current and the prior year.

Concerns over the level of debtors was expressed, with close attention paid to this area in successive minutes. Again, this is the accountants dealing with issues in their sphere of expertise. A surcharge was considered at 2.5% for late accounts. Again, this was not strictly a board matter, but rather a policy decision that could have been made by the financial controller and endorsed by the board.

The draft budget for 1982/83 showed a "no growth" situation. While this position could typify a company at a time of consolidation, it shows a lack of vision and faith in the business. The accountants who dominated the board were being cautious and lacked direction to drive the company into a growth position. No comments in the directors' minutes on this lack of growth were made, which suggests that the draft budget's "no growth" position was uncontested.

Professionalism and formalisation of the group continued from the previous period. A corporate charter was written, and a corporate plan mentioned.[72] The Corporate Plan – Policy Statement was tabled in August 1983.

Directors' fees were doubled in 1984 from $30 000 to $60 000. The previous level had been maintained since 1979 and increased responsibilities on directors were the stated reason for this increase. The Consumers' Price Index increased 80% over this time despite the wage and price freeze introduced in 1982.

The board went into committee at a special meeting in October 1984. This was the first time this device was used. It indicated that the group operated in an increasingly competitive environment, or it was an indication of a board that is not really in control, and was battling each crisis as it presented itself. Matters minuted from that meeting were not insubstantial; another skiplane accident and an operational audit was planned for the main airline.[73]

A promotional offer was included with the half-yearly report in 1982, giving a 50% discount on any company services during April, May and June 1982, and repeated in 1983. This offer may have been a goodwill gesture, or an attempt to boost usage. As there was a dividend freeze, it was probably a reward to shareholders in times when it was not possible to raise the dividend rate. Dividends were raised by 5% to 18% when the "freeze" was lifted.[74]

The board made a few loans to senior staff during this period. The ability to do this was included in constitutional changes in the 1970s. An Australian manager borrowed

AUD 8000 for 3 years at 15.5% p.a, and a manager relocated to Auckland was lent $25 000 for 15 years at 12%.[75] At this time, 80.2% of bank lending was between 14 and 18% per annum.[76] Use of this facility demonstrated the "social" aspect of the company. It acted as a good employer and shows the company's concern for its staff's wellbeing.

9.7 Economic Environment

The government introduced a price and wage freeze in 1982. The airline and coach line, which were already subject to industry price controls, were particularly hard hit by this introduction, as they were about to apply for fare increases.[77]

The government's policy document on domestic aviation was released in November 1982.[78] The major change this paper proposed was a move from quantitative licensing to qualitative licensing, which meant that the group could no longer rely on its exclusive licences for routes, as any operator could apply for a licence on any route provided they could meet safety and service requirements. This new system would subject the group's air activities, both the airline and air services, to a new level of competition. A special board meeting was held to consider this paper and what moves the group could take to ensure its future. Patterson (ex-NAC) represented the company at the Select Committee between February and April 1983.

Close cooperation between Air New Zealand and Mount Cook was evidenced by a meeting held in August 1981, where it was agreed to meet quarterly to discuss "mutual areas of interest and concern."[79] By the time the White Paper was released, this must have ended, as Geary indicated to MCG in March 1983 that

> Air New Zealand would not favour our Company's entry onto the Main Trunk and had suggested that the Company should either withdraw from the aviation business or reduce the size of aircraft.[80]

It is worth noting at this point that Geary became the chairman of the Mount Cook Group in 1985.

Devaluation of the New Zealand dollar by 20% occurred in July 1984,[81] following the landslide election of a Labour government after eight years of National leadership. The New Zealand dollar was floated shortly afterwards, thus sparing the country a long series of official exchange rate adjustments, which invariably met with a mixed public response.

The introduction of a new Export Performance Incentive had a positive effect on net profit before tax in 1981. Set against this benefit were continuing complaints of government-imposed airport and airways dues, and the 5% Domestic Travel Tax. The group also commented on the lack of purchasing power of the New Zealand dollar,[82] particularly with regards to marketing, where costs were largely foreign. The group clearly showed mixed reactions to the government's involvement in business.

Closer Economic Relations (CER) were being forged with Australia, promoting freer trade between the two countries. Advancement of CER would lead to more demand for trans-Tasman flights, but the company's plans to fly trans-Tasman were shelved. This cautious position illustrates the low tolerance for risk that this board demonstrated, and the lack of ability to see the larger environment in which the company operated.

9.8 Competition and Government Involvement

The government's proposed changes to domestic aviation policy were influencing the group's decision to purchase the BAe146. The aircraft had a greater capacity than the existing HS748s, and the threat of direct competition cast doubt over the viability of the larger aircraft.

Air New Zealand began serving food on some of its longer distance domestic routes in late 1983. Mt Cook Airlines had for a long time been serving a basket of sandwiches, cake and fruit on its Rotorua-Christchurch service.[83]

TNL was unsuccessful in its bid to gain a shareholding in the MCG. It began its own airline in February 1985, Newmans Air,[84] in competition to Mount Cook Airlines.

This later became a part of a joint venture with Ansett, and flew under the name of Ansett New Zealand.

The group approached the government for special assistance to assist with the Remarkables project.[85] Steele met with the Minister of Tourism, but no assistance was offered. This move highlighted the dependence by the company on government support as in the past, while the government was beginning to distance itself from commercial activities.

Proposed removal of government export taxation incentive and tourist promotion expenditure incentive in October 1982 provoked consultation with Mr John Hartstonge, previously the general manager of the Tourist and Publicity Department, to lobby the government on the company's behalf.[86]

Complaint was made in the *Annual Report* in 1982 that competition operated by the government at less than viable prices was "grossly unfair".[87] Transport licensing laws were still assisting the group in keeping competition to a minimum, and the group took advantage of opportunities to oppose the establishment of competition.

9.9 Conclusion

HRW's death at the beginning of this period resulted in a loss of direction in the company. Growth stalled as the board were reluctant to take risks and to make plans for the long term. HRW's plans to expand across the Tasman were shelved and not revisited. Opportunities that were presented to the board were lost as the board was unwilling to commit to high levels of capital, or to operate in a competitive environment.

Portions of the group were sold off on the basis of poor performance. Synergies within the group were lost in this process, resulting in potentially lost revenue for the remaining services. Some travel offices were closed, and the rental car division in the Hawkes Bay was sold.

Entrepreneurship, which had been strong in the company's past, moved from operations to the annual reports. While innovation in financial reporting should be encouraged, its loss from the revenue-generating activities in the group was noticeable.

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[1] *Annual Report*, 1985, p.4.

[2] *Annual Report*, 1981, p.4; 1982, p.3; 1983, p.2; 1984, p.4; 1985, p.6.

[3] *Annual Report*, 1981, p.2.

[4] *Annual Report*, 1985, pp.4 and 7.

[5] *Annual Report*, 1982, p.15.

[6] Directors' minutes, 23 February 1983.

[7] Directors' minutes, 23 February 1983.

[8] *The Press*, 13 October 1983, p.22.

[9] *The Press*, 15 October 1983, p.1.

[10] Directors' minutes, 17 April 1983.

[11] *Annual Report*, 1984, p.16 and 1985, p.27.

[12] Hunter's address to the board, 18 December 1984.

[13] Hunter's address to the board, 18 December 1984.

[14] Directors' minutes, 21 March 1984.

[15] *Annual Report*, 1981, p.5.

[16] Interview with P Phillips, August 2001.

[17] *Annual Report*, 1981, p.5.

[18] *Annual Report*, 1983, p.3.

[19] *Annual Report*, 1982, p.4.

[20] Directors' minutes, 23 March 1983.

[21] *Annual Report*, 1982, p.4.

[22] *Annual Report*, 1983, p.2.

[23] *The Press*, 19 October, 1983, p.28.

[24] Interview with P Phillips, August, 2001.

[25] *Annual Report*, 1983, p.3.

[26] *Annual Report*, 1982, p.2.

[27] *Annual Report*, 1982, p.4.

[28] *Annual Report*, 1983, p.2.

[29] *Annual Report*, 1983, p.4.

[30] *Annual Report*, 1984, p.9.

[31] *Annual Report*, 1984, p.9.

[32] *Annual Report*, 1985, p.9.

[33] *Annual Report*, 1981, p.6 and *Annual Report*, 1983, p.5.

[34] *Annual Report*, 1984, p.9.

[35] *Annual Report*, 1985, p.10.

[36] *Annual Report*, 1981, p.4.

[37] Directors' minutes, 21 April 1982.

[38] *Annual Report*, 1981, p.6.

[39] *Annual Report*, 1981, p.7.

[40] *Annual Report*, 1982, p.7.

[41] *Annual Report*, 1984, p.10.

[42] *Annual Report*, 1982, p.6.

[43] Directors' minutes, 17 June 1982.

[44] *Annual Report*, 1984, p.10.

[45] *Directors' Report and Financial Statements*, 1983, p.1.

[46] Directors' minutes, 24 February 1982.

[47] *Annual Report*, 1981, p.2.

[48] Interview with P Phillips, August 2001.

[49] *Annual Report*, 1983, p.7.

[50] *Annual Report*, 1985, p.13.

[51] *Annual Report*, 1981, p.8.

[52] Directors' minutes, 22 April 1981.

[53] Directors' minutes, 10 December 1984.

[54] New Zealand National Travel Association, 1983, p.6.

[55] Directors' minutes, 24 August 1983.

[56] Directors' minutes, 26 October 1983.

[57] *Annual Report*, 1984, p.14.

[58] Interview with P Phillips, August 2001.

[59] Directors' minutes, 24 October 1984.

[60] Directors' minutes, 17 June 1982.

[61] Directors' minutes, 22 September 1982.

[62] Directors' minutes, 18 May 1983.

[63] Directors' minutes, 25 August 1982.

[64] Directors' minutes, 21 May 1985.

[65] Directors' minutes, 23 July 1980.

[66] *The Press*, 3 March 1986, p.4.

[67] *The Press*, 6 November 1984, p.1.

[68] Directors' minutes, 30 January 1981.

[69] Directors' minutes, 18 March 1981.

[70] Directors' minutes, 2 August 1983.

[71] Directors' minutes, 2 August 1983.

[72] Directors' minutes, 17 November and 15 December 1982.

[73] Directors' minutes, 4 October 1984.

[74] *Directors' Report and Financial Statements*, 1984.

[75] Directors' minutes, 23 February and 20 April 1983.

[76] *NZOYB*, 1982, p.760.

[77] *Annual Report*, 1983, p.2.

[78] AJHR, 1982, F-10.

[79] Directors' minutes, 19 August 1981.

[80] Directors' minutes, 23 February 1983.

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[81] Easton, 1997, p.104.

[82] *Annual Report*, 1983, p.8.

[83] *The Press*, 19 September 1983, p.9.

[84] Newmans Group Ltd, *Annual Report*, 1987.

[85] Directors' minutes, 23 September 1981.

[86] Directors' minutes, 27 October and 17 November 1982.

[87] *Annual Report*, 1982, p.7.

Chapter 10

Take Over by Air New Zealand: 1986-1990

10.1 Introduction

This period began with Air New Zealand's acquisition of a majority shareholding. This effectively resolved the issue of who would control the group. The five years covered by this chapter illustrate the group's gradual transition from an independent, vibrant company to a subsidiary of a large conglomerate. The balance sheet at the beginning of this period is shown in Figure 10.1.

The *Annual Report* in 1986 acknowledged the difficulties of the last two years while control of the group was uncertain.[1] Air New Zealand's acquisition of 77% of the group resolved this issue. The era when the group comprised a family business ended with the group becoming part of a larger conglomerate. Although many smaller shareholders still remained, their power was extinguished, with the second largest shareholder at any time in this period, H&H Motors Ltd, holding just 1.57%.[2]

Air New Zealand's dominance appeared through the change of MCG's balance date in 1987 to 31 March to match Air New Zealand's balance date, a requirement of the Companies' Act 1955.[3] The group's balance date had previously been shifted from March to May in 1973 to process in quieter months.

The auditor also changed to match Air New Zealand's, from 1990 onwards. This was only the third time in the company's history that there had been a change of auditor. The first occurred in 1931 when the initial auditor, WD Revell, died, and the second change occurred in 1964, when Leggott & Allport stood down in order for Noel Keeley of Leggott & Allport to join the board, and Barr Burgess & Stewart were appointed to prevent a conflict of interest.

Tourism was booming in this period, and the *Annual Report* in 1986 noted that the increased profile of the sector was attracting quick speculators.[4] Over-investment in the sector was expected to lead to rationalisation, which occurred within the group when it shed its marine interests in Northland.

Rhetoric was provided in the 1986 *Annual Report* about operating in a deregulated environment:

> There is a new degree of regulatory freedom in the country and while we may argue that New Zealand is too small for such an almost premature philosophy, we must be realistic and recognise that the time is at hand.[5]

This comment and the actions of the board in this period and in the past suggest that a competitive environment was regarded as far from desirable in such a small country.

Continuing volatility in the tourism sector was noted in 1988, and price volatility, GST, high interest rates and a strong New Zealand dollar were all indicators of difficult times for the sector. Divestment by the group was justified to free up cash to reduce debt and minimise interest costs.[6] The group's debt to equity ratio dropped below 100% in 1988, reflecting the success of this strategy (see Table 10.4).

There was an increased emphasis on marketing.[7] As marketing had been used as the saviour of Air New Zealand in 1982,[8] its use in MCG once Air New Zealand gained control was little surprise. Comments were made on the success of Australia's marketing programme[9] to attract tourists at a national level, and suggestions made that New Zealand could benefit from a similar campaign. The group seemed to spend in this area while other tourist operators reaped the benefits, or at least freeloaded. Two problems identified were the decline in the Australian visitor numbers, and North American tourists transiting on their way to Australia, who spent little time or money here, but aggravated a shortage of accommodation and transport in Auckland.

Figure 10.1: Consolidated Balance Sheet as at 31 May 1986 (in $'000)

Current Assets			Current Liabilities		
Cash on Hand	856		Bank overdraft	4 152	
Trade Debtors	7 613		Creditors & accrued charges	12 808	
Other Rec & prepayments	3 589		Proposed dividend	1 434	
Tax refund due	4 032		Current portion of Loans and mortgages	1 939	
Stocks and spares	7 748	23 838	Current portion of capitalised lease obligations	101	20 434
Long Term Assets			Other Liabilities and Provisions		
Term Debtors	325		Maintenance provision	1 094	
Investment in other companies	40		Deferred tax	4 938	6 032
Other investments	130	495	Term Liabilities		
Fixed Assets			Loans and mortgages	15 121	15 121
Land	1 282		Interest of Minority shareholder		171
Buildings	9 209		Owners' Equity		
Airport and Land Development	3 004		Issued Capital	10 455	
Major Revenue-earning assets	30 505		Capital Reserve	10 390	
Other plant and fittings	3 590		Retained Profits	12 343	
Leasehold interest in equipment	229		Goodwill on Consolidation	(1 062)	32 126
Capital work in progress	1 732	49 551			
		73 884			73 884

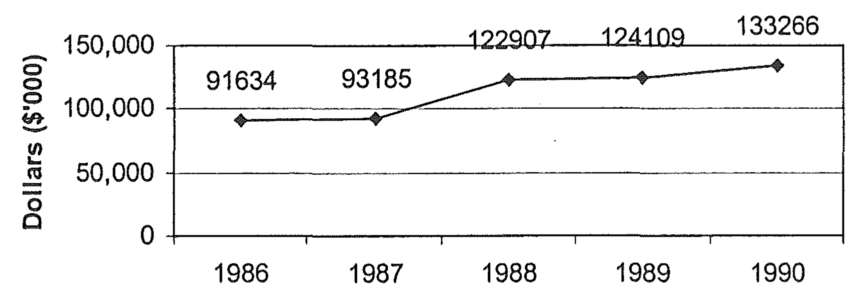
Source: *Annual Report*, 1986

10.2 Traditional Analysis

Dividends throughout this period were paid at a constant rate of 18% per annum. A dividend election scheme was introduced to allow shareholders to take shares in lieu of dividends from 1987. This scheme was introduced with the confirmation of Air New Zealand's participation,[10] which allowed Air New Zealand to minimise the influence of the small shareholders by increasing its own shareholding each year while others took cash thus diminishing their relative holding.

Gross revenue (Figure 10.2) was fairly static in this period, particularly when compared to the growth experienced in the last period when gross revenue figures doubled over five years. The slower growth was caused by the slower rate of acquisitions and more closures and disposals than in the past. These measures were aimed at gaining efficiency by shedding unproductive divisions, but synergies within the group were lost or interrupted by the closures.

Figure 10.2: Gross Revenue 1986-1990



Source: *Annual Reports*

Growth in revenue was highest in 1988 at 31%, but the previous period, 1987, was only ten months long due to the change in balance date. The revenue results for this period showed a reduction in the progress made by the group, and the closures of various divisions had a negative effect on gross revenue.

A reduction in gross revenue would be acceptable if there was an increase in the profitability of the whole group. The profit for 1985 was repeated in Figure 10.3 to highlight the drop in profitability experienced in 1986. This was predicted by Steele in his Chairman's Address to the 1985 AGM: "I must say that we will be hard-pressed to match the profit of the 1984/85 year, given the adverse start to this current year."[11]

Net profit to gross revenue was inconsistent in this period, with a decline in 1988, indicating that expenses were increasing more rapidly than the revenue (see Table 10.1).

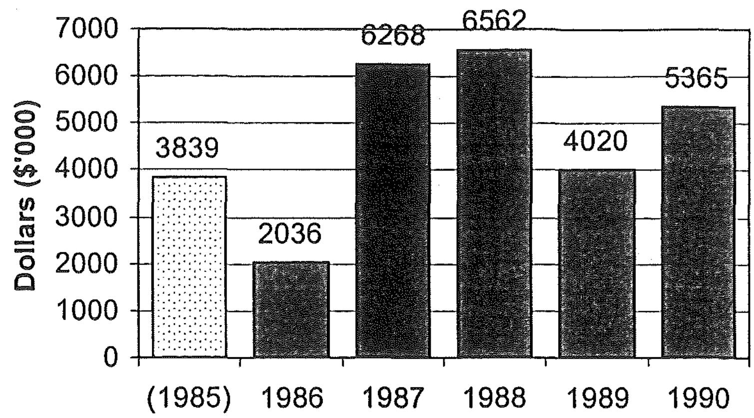
Table 10.1: Net Profit to Gross Revenue 1986-1990

Year	Net profit / Gross Revenue (in $'000)	Percentage
1986	2 036 / 91 634	2.2%
1987	6 268 / 93 185	6.7%
1988	6 562 / 122 907	5.3%
1989	4 020 / 124 109	3.2%
1990	5 365 / 133 266	4.0%

Source: *Annual Reports*

The depreciation percentage for tour coaches was lowered in 1986. Although the new percentage (6% per annum) was disclosed in the financial reports, no note was made that in previous years these vehicles were depreciated at 9% per annum, nor the effect this change in depreciation had on the profit for the period, nor can an estimate on the effect be made due to inadequate data in the report. A year later, the directors' minutes note that a change to bring all other coaches into line with tour coaches was due to consistent over-provision,[12] which would not raise any concern if revealed to shareholders. It would have been clear to shareholders, however, that the change in 1986 reduced depreciation expense for the year, thereby increasing reported profit. This change was timely, as profit for the year had dropped considerably on the previous year's results (see Figure 10.3).

Figure 10.3: Net Profit after Tax 1986-1990



Source: *Annual Reports*

Figure 10.3 also shows that net profit after tax dropped again in 1989. The *Annual Report* in 1989 focused its discussion instead on the net profit before extraordinary items. In comparison, the *Annual Report* of 1988 barely mentioned this figure, which was only $1.3m and lower than the previous year's comparative figure for a period of only ten months. While there are several measures of profitability and both used here are legitimate, the *Annual Report* of 1989 may have been designed to distract the readers' attention from this drop in overall performance. Had the Directors' Report been consistent, some explanations may have been required.

The return on assets was inconsistent in this period, but maintained a higher level in the last four years. The decline in net profit in 1989 was reflected in a decreased return on assets for the year, as the asset level of the group remained fairly constant (see Table 10.2).

Table 10.2: Return on Assets 1986-1990

Year	Net profit / Total assets (in $'000)	Percentage
1986	2 036 / 73 884	2.8%
1987	6 268 / 93 969	6.7%
1988	6 562 / 88 309	7.4%
1989	4 020 / 82 096	4.9%
1990	5 365 / 84 728	6.3%

Source: *Annual Reports*

The working capital ratio maintained its level of the previous period. As a financial indicator, it showed that the company had sufficient resources to meet its short-term debt.

Table 10.3: Working Capital Ratio 1986-1990

Year	Current Assets / Current Liabilities (in $'000)	Percentage
1986	23 838 / 20 434	117%
1987	40 322 / 30 524	132%
1988	31 189 / 22 009	142%
1989	28 026 / 22 216	126%
1990	32 744 / 27 023	121%

Source: *Annual Reports*

No extraordinary items were recorded in 1990, signalling that there were no further restructuring costs. There were no additions to nor deletions from the group during the year.[13] This static situation was likely to be prompted by the imminent full acquisition of the group by Air New Zealand.

The Chairman's Review was superficial in 1990, which suggested an awareness of the imminent takeover. The Directors' Report also commented that it was "difficult to predict the future with any confidence or accuracy"[14] which did not invite confidence in their leadership. The board in 1990 was heavily loaded with Air New Zealand representatives who were at least aware of Air New Zealand's interest in full ownership.

Discounts, which had been offered to shareholders in the past were withheld in 1985, but a note advising availability of reduced fares was forwarded with the half-yearly report. This change could be attributed to the changing business environment. When previously fares had been tightly regulated the concessions to shareholders were an enticing benefit, but in a competitive environment reductions needed to be offered more widely. Shareholder rebates were re-introduced in 1986 as a result of a number of approaches,[15] although increased competition from Newmans Air and Ansett New Zealand may have influenced this decision. The removal and re-introduction of the discounts showed a level of indecision in the board.

The company's debt to equity ratio improved during this period, indicating that the group was retaining funds within the business, and reducing its debt to external parties. The level of debt was by no means conservative, reaching a low of 70 cents for every dollar of equity (see Table 10.4).

Table 10.4: Debt to Equity Ratio 1986-1990

Year	Debt / Equity (in $'000)	Percentage
1986	41 758 / 32 126	130%
1987	55 483 / 38 486	144%
1988	43 812 / 44 497	98%
1989	35 599 / 46 497	77%
1990	35 023 / 49 705	70%

Source: *Annual Reports*

10.3 OCFAID

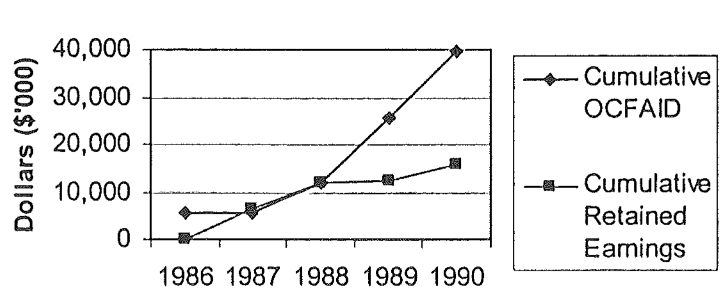
The board paid attention to the group's cash position. In February 1986, Macleod, the senior finance executive, reported to the board that there would be a shortfall of $500 000 in March. By May, an embargo was placed on capital expenditure, pending a review of forecast profitability and cash flows.[16]

Table 10.5: OCFAID 1986-1990

Year	OCFAID ($'000)	Cumulative OCFAID ($'000)	Retained Earnings ($'000)	Cumulative Investing Cashflow ($'000)
1986	5 471	5 471	178	-10 639
1987	120	5 591	6 372	-13 286
1988	6 498	12 089	11 725	-18 666
1989	13 339	25 428	12 397	-18 890
1990	14 036	39 464	15 548	-20 699

Source: *Annual Reports*

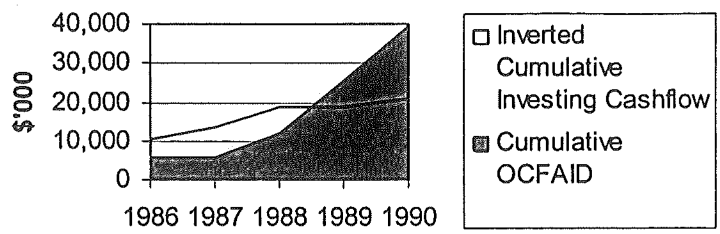
Figure 10.4: OCFAID 1986-1990



Source: *Annual Reports*

Figure 10.4 and Table 10.5 show that the operating cash flow during this period was positive, and improved throughout this period. Retained earnings also steadily accumulated, indicating that the group was finally back onto a stable financial path.

Figure 10.5: Operating and Investing Cash Flows 1986-1990



Source: *Annual Reports*

An encouraging change in this period was that the cumulative investing cash flow (shown by a black line in Figure 10.5, with data provided in Table 10.5) did not exceed the cumulative operating cash flow, thus allowing the group to pay off some debts, and reduce its interest costs.

The OCFAID analysis shows that financially, their position has improved, yet the group had lost its long-term direction. The board got the finances right at the cost of other aspects of the group – operations, personnel and shareholders.

10.4 Operations

10.4.1 General Comments

There was a reversal of direction in this period. Previously the group had been expanding and looking to the future, while this period experienced further disposals and staff cuts. Plans for the future direction of the company were seldom discussed at board meetings, as more immediate problems consumed the directors' attention. Potential projects were foregone, perceived as too risky.

The board perceived an improvement in the group's reported results: "Cost-saving initiatives over the last two years are now having their affect(sic)."[17]

Downturn in tourist numbers resulted in the "thinning of staff ... with the utmost sensitivity."[18] Redundancies had been rigorously avoided by RLW and HRW, but when the company became a small part of a large conglomerate, where accounting results underpinned decisions, responsibilities to employees as well as to shareholders played a diminished role.

Staff management problems were an ongoing concern across the group once HRW passed away. An example was problems with staff attitudes at Coronet Peak. It was recorded in the directors' minutes in December 1986 that customers were not being encouraged to go to the mountain. The airline had difficulties with staff seeking pay parity with Air New Zealand, and pilots encountered difficulties in getting a single award across the five domestic airlines.

These staff management problems were reflected in a number of strikes taken by staff. The pilots struck for pay parity with Air New Zealand, further unrest from pilots and cabin crew arose with proposed reductions in onboard crew numbers, and the freight drivers struck in 1988.

10.4.2 The Airline

Recognition of the increasing numbers of Japanese tourists was shown by training for all cabin crew in Japanese language and customs.[19] The entry of Newmans Air to the tourist market would also have been an incentive to pay more attention to this market.

Services between Rotorua and Mt Cook, and between Christchurch and Queenstown were scheduled for the summer of 1985/86.[20] However, staff training only took place in 1987, so services had not commenced on schedule.[21] Services to Nelson, Taupo and Wellington were added in 1988.[22]

The airline continued to increase passenger numbers in 1987, and was "not overstretched with new equipment purchases."[23] This sounds like putting a positive slant on a bad situation, ie. that they couldn't afford new aircraft and had to charter occasionally.

The company chartered Boeing aircraft from Air New Zealand to commence services between Auckland and Queenstown in summer 1986/87.[24] The Annual Report promoted the rapidity of this service, less than two hours, while emphasising at the same time the ongoing reliability and modernity of the older HS748s, which were the majority of the group's fleet.[25]

Plans to replace the HS748s were questioned at the 1988 Annual General Meeting. The board replied that the aircraft still had a good economic life, and were popular with customers. This is contradicted by the proposed introduction of Boeing 737s into Rotorua to keep up with Ansett's competition. The HS748s were depreciated at 7.5% per annum,[26] implying a 13 1/3 year economic life. By mid-1988, the first three were past this age, and the fourth, acquired in 1976, was rapidly approaching the end of its economic life.

Alternative aircraft were discussed by the board again in October 1988, rejecting the BAe146 as costly and unreliable, compared with the Boeing 737.[27] The board decided to wait and use a Boeing 737-500 at Queenstown's new airport.

In February 1989, the board acknowledged that the airline must introduce jet aircraft to maintain credibility in the industry.[28] Upgrading of the airline's fleet had been discussed since 1983[29] and action was becoming imperative for the airline's future.

Pressure from Ansett's introduction of jets was sufficient to warrant comment in the Directors' Report: "The company continues to address the future aircraft replacements and will announce its decision when it considers this is in the best interests of its shareholders and other stakeholders."[30]

Air fares were increased by 9% in early March 1986, deliberately announced publicly on a different day from Air New Zealand's similar price increase.[31]

Industrial unrest troubled this division when cabin crew sought pay parity with Air New Zealand in March 1986. Air New Zealand's wages were 23-43% higher.[32] Industrial relations were further disturbed by moves by the Air Line Pilots' Association (ALPA) to form a single award to cover the five main domestic airlines.

As early as 1986, the introduction of Ansett was anticipated, when the group thought it had pre-empted Ansett with a jet service into Queenstown.[33] Difficulties arose with this development as Queenstown residents objected to proposals to extend the Frankton runway to enable jets to use the airport, due to the noise of the larger aircraft. The company opted to keep a low profile in the ongoing battle.[34] The directors' minutes noted that "good progress [was] being made with the Mount Cook image in Queenstown,"[35] suggesting that there was not support for the group to battle the noise issue.

Despite a secret deal with Queenstown's mayor over a new site for an improved airport, the local council decided to extend the Frankton airport.[36] It was suggested that there was a deal made with Ansett which enabled their quieter BAe146s into the area while blocking out MCG's proposed Boeings.[37] In 1989, the group was advised of a rental increase at the airport to $60 325 per annum, which was noted as a "massive increase."[38]

New routes were proposed from Christchurch to Nelson twice daily return, and Christchurch to Wellington, Taupo and Rotorua once daily.[39] Problems came from both the Air Line Pilots' Association (ALPA) and the Cabin Crew Union over these proposals. Although the pilots were happy to work in both the flightseeing and airline divisions, ALPA was reluctant to approve this arrangement. The Cabin Crew Union was poorly handled by the company by its own admission, and despite an offer to fly some routes with one crew member, an agreement was not reached.[40]

10.4.3 Air Services

Air services battled throughout this period for its survival. External competition increased while the Chair wanted this division reduced to the skiplanes only.[41] A paper was requested on the implications of withdrawing from Queenstown, while Dockery, a longstanding board member questioned if staff could be relocated to Mt Cook. The airline manager, Mr Corner, thought it unlikely that the staff would be willing to go. The focus had shifted from being a good employer to getting the financials right, and people seemed to be a secondary concern.

A further skiplane accident occurred in 1985 and the group sought to make a payment without admitting liability and full release.[42]

Concerns over the introduction of helicopters to the Mount Cook National Park led the group to consider appointing a person to introduce new products in the Queenstown flightseeing area, presumably including Mount Cook.[43] In 1989, the group applied for a licence to operate helicopters in the Mt Cook National Park.[44] This was due to changes in the park's management plan. Historically, HRW and consequently the group, had had little interest in helicopters, but this move could prevent others from encroaching on the flightseeing services already provided by the group in the park. The Helicopter Line (THL) were particularly keen to operate in the area.

A downturn in the farming community resulted in the "mothballing" of topdressing services. Three of the eight aircraft were sold during the 1987 year,[45] suggesting that there was little expectation that the division would be revived to its previous level.

10.4.4 Coaches

In August 1986 the group negotiated to buy H&H Motors Ltd, a competitor based in Invercargill, which was facing financial difficulties. An arrangement was subject to Commerce Commission approval. H&H Travel Lines Ltd was purchased during 1987, paid for in part with 166 667 shares, which made H&H Motors Ltd the second largest shareholder.[46] Upon its acquisition, the company's results were found to be "a tale of woe."[47] It would seem that due diligence had not been conducted.[i]

Coach services suffered from increased competition due to deregulation. The battle between the major airlines also affected coach services on State Highway 1, as the airline prices dropped to nearer the coach fares.[48]

New services were added between Wellington and Hawkes Bay in 1990. The timing for this expansion was poor, as the group had recently sold its commuter services in the Hawkes Bay area, which would have damaged goodwill towards the group in this area.

Coach fares had not increased since 1981, due to the price freeze and increasing competition.[49] Landline fares rose in November 1989 by 11%.[50]

The possibility of expanding landline operations to Queensland was considered in early 1989.[51] This was discussed at the board meeting in January 1989, but no further minutes were recorded on the matter as the airline's issues dominated the minutes. Poor results from this division led to a review of the whole operation in February 1990, suggesting that closure, not expansion, was on the directors' minds.[52]

10.4.5 Mount Cook – Denning Coaches

Viability of this division was again under scrutiny in October 1985.[53] Coach manufacturing began production of a Mark II model with large improvements over its predecessor.[54] Production for an overseas client was planned in 1987,[55] thus testing the costs of this division. In June 1988 it was decided that no further coaches were to be built, and that the division was to be offered for sale to the company that had recently purchased Coach Works Ltd.[56] The division was mothballed in October 1988.[57]

10.4.6 Freight Services

This division was under pressure as early as June 1985 to increase its profitability. Several board members stressed the possibility of freeing cash by selling this division unless profitability could be improved.[58] A potential buyer was identified in August 1985 and had two weeks to consider a purchase, but this failed to crystallise. Another party made an offer in October 1985, but this was also unacceptable.[59]

The freight division suffered dramatic times in 1986. There were freezing workers' strikes, which reduced the stock movements, followed by flooding in South Canterbury. Parcel traffic to Queenstown increased, requiring a rearrangement of services to increase capacity. The furniture moving fleet was enlarged, and the Christchurch depot was relocated to Port Hills Rd, which had better access to the port and to major roads.[60] It may also be worth noting that the chairman of the board declared an interest in the owners (P & D Duncan) of the new leaseholder.[61]

Comparison with competitors, Alltrans and Mogal, who were reducing their operations, in 1987, prompted a move towards owner/drivers, to free up capital funds for other projects. This seemed a compromise position for a division that the board no

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[i] Air New Zealand later repeated this error in the 1990s with Ansett Australia.

longer regarded as a part of the core of the group as shown by the efforts to sell this division.

An economic downturn in the farming community affected freight in 1988. This was aggravated by a drivers' strike.

Drought again affected this division in 1989 in Canterbury and North Otago areas. Christchurch-based services performed well, which helped to compensate for losses caused by the drought.

10.4.7 Ski Activities

Results for the 1985 ski season were poor, despite The Remarkables having more skier days than either Coronet Peak or at the competing field at Cardrona.[62] An additional ski lift was installed at The Remarkables in 1985.[63]

A long season was noted at Cardrona ski area for the same year. Hunter requested that financial data on Cardrona be traced and in December the board discussed taking over the business.[64] Geary stated that the company already had a large investment in Queenstown and increasing the group's dependence on a seasonal market would not make much sense. This again shows the unwillingness of the board to accept the existence of competitors.

Plans to lower the lift pass price for the 1986 season to $19 (from $24 in 1985) were questioned by three board members, and management were asked to reconsider the proposal, which aimed to get a higher market share. The plan was revised to attract as much patronage as possible at $24, while offering a discounted rate selectively to local groups and families.[65]

The lift pass price was further increased to $32 including GST for the 1987 season.[66] Good snow provided a good season for both Coronet Peak and the Remarkables.[67] The Remarkables experienced another good ski season 1989.[68] The number of Australian skiers grew, despite an overall drop in Australian visitors to the country.[69]

Summer usage of Coronet Peak was down on the previous year.[70] The Remarkables was open during the summer of 1985/86, which would have been taking some of the customers, but concern to maximise numbers there, too, was raised in the director's minutes.[71]

A fire occurred at Coronet Peak at the beginning of the 1986 ski season destroying part of the base building, and the group was pleased to receive community support and eager volunteers who helped to build a temporary building within ten days of the fire.[72]

Legal action was taken against the company by Inder & Breen, the builders on the Coronet Peak project, who had a claim against the company for $470 000.[73] The legal matter dragged on until April 1986 and comment was made that solicitors were making money with little result.[74] The case was finally set to go to court 6 April, although both parties preferred to settle out of court. The MCG was prepared to offer $67 000, but Inder & Breen held out for $154 000. Two years later, the directors' minutes noted that August 1987 "Counsel thought the Company had won the case."[75]

The board declined an approach to become a major shareholder in Porter Heights, a commercial ski field near Christchurch. [76] The ski field had suffered a bad season in 1987, which resulted in financial difficulties.

The 1989 season was successful, with Australian sales up 200%.[77] Terrain modifications were helpful, particularly at Coronet Peak.

10.4.8 Other Services

The motor home division, which began in the summer of 1984/85 with 30 vehicles, had by 1986 grown to 120 vehicles covering both main islands.[78] This division was restructured in June 1988, by selling the assets and management to Maui Tours.[79] The advantage of this move was again to free cash for reducing debt, and to maintain the group's presence in the motor home market. Maui supplied vehicles in the Mount Cook colours, so the customers saw two separate operations, without Mount Cook needing to provide any expertise or finance in the area.

Mount Cook Northland took delivery of its new catamaran, *Tiger Lily III*, in time for the summer season of 1985/86 in the Bay of Islands, with her capacity of 230 passengers. A high level of competition in the area was noted, and some attrition was predicted in the area.[80] Sale of the first catamaran, *Tiger Lily I*, was considered in October 1985 for $650 000, but this did not eventuate. Mount Cook Northland was requested to report to the board proposals to increase its usage in February 1986, but it was sold to another party in March 1986. The sale would help to cover the projected cash shortfall for the group of $500 000 in March 1986. Sale of the asset required the co-operation of Mount Cook Northland's 25% shareholder.

Fuller's Cream Trip, a well-established boat trip in the Bay of Islands was offered to the group in 1985. Again, the price asked was thought too high, and the opportunity was foregone.[81]

The group's shareholding in Alpine Guides Ltd was increased to 56.2% during 1988. This was a defensive measure, as The Helicopter Line (THL) was offering to help Alpine Guides with its staff accommodation shortage in exchange for shares. MCG saw this as a way that THL could get a foot into the Mt Cook National Park, and start/boost its operations there. Cooperation with a competitor, NZ Helicopters Ltd, was considered as a defensive measure.

THL was interested in negotiating with the company for helicopter rights in the Queenstown area. The board suggested that the company cooperate because THL had been cooperative in the past. This attitude was in stark contrast to the attempts made by the group to keep THL out of the Mount Cook area as outlined above.

Travel centres lacked sufficient product diversity to continue serving the company exclusively, and negotiations with Focus Travel were undertaken in 1988.[82] Negotiations did not result in a sale, and an alternative buyer was sought.[83] Air New Zealand were offered the offices, and failing interest from them, some offices were to be closed or sold.[84]

<u>10.4.9 More Closures</u>

East Coast coach operations were sold during 1985. Dockery, who joined the group when the Hawkes Bay Motor Company was brought into the group, expressed regret at this closure. He left the board during the year.

The helicopter based in Franz Josef was sold during 1986.[85] Franz Josef was not a location where the group had a high profile, although the helicopter would have offered scenic flights over the glaciers and Mt Cook area.

Fullers approached the group, two years after offering their Cream Trip to the group, with an offer to purchase Mount Cook Northland. It was sold during 1987, as it was no longer part of the strategic direction of the group. Air services into the Bay of Islands were retained. This move was presented to shareholders as improving the group's liquidity.

10.5 The Board

Shirtcliffe and Fletcher resigned during 1985. The two vacancies were filled by NMT Geary (Air NZ) and NA Macfarlane (Air NZ).[86] Marshall retired in October 1985 and was not replaced.

Dockery died in November 1985, and was replaced by Mrs E Kennedy, an alternative director of Kingsgate Corporation Ltd and a member of the Tourism Council.

Steele relinquished his role as chair of the board at the beginning of this period, in February 1986 and was replaced by Geary, who was released from general management duties with Air New Zealand for the role.[87] Tribute was paid to Steele for his chairmanship during a "difficult period."[88]

Dalgety passed away in June 1988 and was replaced by Jim Scott, the chief executive of Air New Zealand.

Kennedy and Steele both left the company in 1990,[89] and were replaced by two further Air New Zealand directors, SJ Cushing and JL Gribble. At its balance date in 1990, seven of the eight directors were Air New Zealand appointees. Gould was the sole remaining independent director.

The rate of major changes to the operations of the group slowed markedly.

Table 10.6: Directors during 1986-1990

Director	Professional background	Full term in office	Shareholding (and year quoted)
NMT Geary	Accountant	1986-end	1302 (1990)
AH Gould	Auctioneer	1986-end	5742 (1990)
JD Dalgety	Lawyer	1984-88	1200 (1988)
MF Hunter	Professional director	1981-end	1563 (1990)
RW Steele	Accountant	1968-90	1200 (1990)
NA Macfarlane	Marketing	1986-end	1000 (1990)
EC Kennedy	Sharebroker	1986-90	1213 (1990)
RJ Scott	Forestry sector	1988-end	1133 (1990)
NR Searle	Aviation and tourism marketing	1988-end	Unknown
SJ Cushing	Accountant	1990-end	1000 (1990)
JL Gribble	Accountant	1990-end	1000 (1990)

Source: *Annual Reports*, *Who's Who In New Zealand* and miscellaneous newspaper items.

In this final period of the company's history, the dominance of accounting backgrounds on the board continued, with Geary as the chairman, and a growing number of board members with accounting experience, particularly in the last year of this period with introduction of Cushing and Gribble.

An increase in directors' fees was proposed to the AGM in 1989,[90] citing inflation and increased duties as the reasons. The increase, from $60 000 to $75 000, was the first increase since 1984, when fees were doubled from $30 000 to $60 000.

Shirtcliffe commented that the company must decide what rate of growth it would like to achieve, and set about achieving it.[91] It would then be possible for the company to attract capital. Shirtcliffe's time and therefore influence on the board was limited. He resigned in October 1985. His statement was forward looking, in contrast to the retrospective focus of the accountants on the board.

In August 1985, the directors' minutes noted an offer from Air New Zealand of "general assistance", and an inquiry into the company's recovery action. Gratitude for assistance from Air New Zealand in resolving problems with International Air Transport Association (IATA) international clearing house payments was given in the directors' minutes in October 1985.

A debtor, Freedom Holidays, which owed over $300 000 was to have a 218 notice filed against it if it didn't file for a voluntary liquidation in December 1985. Freedom Holidays, a camper vans and tours operator, was placed in voluntary liquidation on 20 December 1985. This indicates that the group was getting tough with its finances, and it realised its inability to finance others. Further debtor problems emerged with Jetabout. Dalgety noted that it was not worth doing business with people who did not pay, particularly in times of high interest.[92]

10.5.1 Restructuring finances

The financial structure of the group was questioned in July 1986:

> The Chairman said that the deterioration in the Airline result was something that had been going on for some time. The Airline Division did not have a good grip on revenue and expenditure accounting. This had been devolved too far with each Division having too much control over its own accounting and policy divisions. There will be greater accounting involvement by Head Office in Divisional affairs in future.[93]

At the same meeting, the Chair announced that marketing was to become a "more major arm of the company," leading the way to marketing having greater influence on pricing decisions, and standardising the group's accounting practices. The next meeting introduced the concept of geographic areas and products as profit centres, and operating divisions as cost centres.

Concerns over the accounting in the divisions led to questions over the performance of the external auditor in the past. These comments made a case for changing the group's auditor to the same auditor as Air New Zealand in 1990.

Internal control was raised as a possibility, but the Chair felt that the group was not big enough to warrant this. The internal audit was further addressed in the centralisation of accounting. Air New Zealand seconded an auditor to help improve internal controls where the interim audit report had identified weaknesses.[94]

Internal audit continued to cause problems, and an internal auditor was appointed, as well as making use of ongoing support from Air New Zealand.[95] This move paid off, as problems revealed with the Japanese office by late October 1988 resulted in the dismissal of the manager.

10.5.2 NMT Geary

Geary became the chairman in February 1986, and led the transformation of Mount Cook into a division of Air New Zealand. He emphasised the bad shape of the tourism industry and the need for greater overseas spending and rationalisation within the industry. This helped to build the climate within the MCG for the changes he made.

The introduction of a dividend reinvestment scheme in 1987 spelt the end of the MCG as an independent entity. The aim was to retain cash in the business by issuing shares in lieu of payment of a cash dividend at the option of the shareholder. Retaining cash would help improve the liquidity of the business. This scheme required the participation of Air New Zealand for it to have any significant impact. It effectively diminished each year the relative shareholding of those who opted to take a cash dividend, while Air New Zealand grew its stake in the business. The separate entity was doomed from this point on. Air New Zealand may have acquired up to 1.8 million additional shares between 1987 and 1989 through this scheme. Over the same time, the total shares on issue increased by 2.0 million shares.

Directions for the future development of the group were not encouraging. Attention to the budget for 1987 revealed:

> The Chairman suggested that the budget should follow a policy of low level capital expenditure and be limited to replacement, with no or little expansion of Company equipment. He said that the Company should attempt to maximise existing plant and equipment and be "cashed up" ready for future opportunities as they arise.[96]

Future opportunities did arise, but were frequently rejected as too risky. Opportunities would also inevitably require the acquisition of capital, which was severely restricted by this statement.

The offer of an equity holding in Armada Holdings Ltd was declined in November 1987. Armada was the major shareholder in Shotover Jet Ltd. Again, there was an apparent reluctance to bear risk, and a desire to retain cash within the business. While a level of cash is needed by any business, the emphasis placed on cash by the directors seems excessive, as they repeatedly failed to take investment opportunities, either by purchasing shares for cash, or issuing new shares to acquire new ventures.

The final blow for MCG as a separate entity fell in March 1990.

> The real issue for the Board's consideration was the future role of the Mount Cook Group in the aviation industry. Our competitor [Ansett New Zealand] was flying tourists on the main trunk. Mount Cook could not survive economically without a share of this tourism business. This was crucial to its market credibility. Seasonality of the Company's income has been an ongoing problem which needs further attention not withstanding that initiatives have been taken over recent years to address this. The strategy proposed for implementation addresses this positively...
>
> Mr Scott advised that a major concern of Air New Zealand was the strategic issue. Air New Zealand naturally wants The Mount Cook Group to contribute to the overall Air New Zealand Group. However, 90% of the forecast Mt Cook trunk business would be at the expense of Air New Zealand...[97]

10.6 Economic Environment

Internal changes were more significant in this period in shaping the future direction of the group than the external economic environment. Changes in that environment were having an important effect on the country.

Rogernomics, begun by the fourth Labour government in 1984, was well underway. The government was focused on selling assets to acquire funds, and at the same time was introducing a "user-pays" approach to most services. Removal of tourism incentives was necessary to prevent the taxpayer subsidising the businesses that benefited from these incentives.

Amongst the assets sold by the government in this period was Air New Zealand. It was sold to a Brierley-led consortium in 1989.[98] A condition of the sale was that 30% of the shares be sold to the New Zealand public.

New Zealand's sharemarket crashed, along with the world share market, in October 1987. "No other share market experienced the same magnitude of collapse."[99]

In addition, there were economic effects caused by events offshore. The Australian dollar weakened in 1986, which adversely affected the tourism numbers from Australia.[100] The tours division was particularly affected by cancellations.

Australia suffered a domestic airline pilots' strike in 1988. This had a flow-on effect reducing the visitor numbers to New Zealand from Japan and the United States.[101] Many travellers cancelled their South Pacific travels as a result of difficulties in travelling within Australia.

10.7 Competition and Government Involvement

Increases in passenger numbers were recorded in 1986, despite the advent of Newmans Air. A close watch was kept on this competitor, particularly as Ansett held a "major interest"[102] in the company. In 1986, Ansett started a joint venture which separated the airline from the remainder of the TNL group. The joint venture started to fly under the name Ansett New Zealand in December 1986.[103]

Ansett failed to bring in new business, which had been one of its selling points in entering the domestic market, which MCG highlighted in its *Annual Report*.[104] Effectively, the existing market was diluted across more providers, rather than generating an increased demand for all. Further investment by Ansett in 1988 prompted concerns for a more fiercely competitive environment.[105]

Ansett flew Boeing 737s to Rotorua, which forced MCA to consider changing its aircraft to match, although the Boeing 737s had higher costs.[106]

A battle between Ansett and Air New Zealand had potential to adversely affect the Mount Cook Airline. Firstly, the battle was a price war, so Mount Cook would be expected to help subsidise airfares of the major airline. Secondly, it would be expected by the travelling public to lower its prices to remain competitive.

Ansett was in serious financial difficulties in February 1988, and the government approved the possible 100% ownership of this subsidiary by Ansett Australia.[107] Air New Zealand was vocal in its disapproval,[108] and considered legal action to prevent this, even though the change in ownership would still need the approval of the Commerce Commission.

Air New Zealand became involved in negotiations with Qantas and Australian Airlines to merge forming a trans-Tasman airline. The plan did not eventuate, but it did raise the question of Air New Zealand's shareholding, and it was suggested that Air New Zealand could end with 35% owned by a New Zealand company, 35% owned by an overseas company, and the 30% balance owned by public and staff.[109] This shows that the Mount Cook Group was not unique in suffering questions over its future shareholding during this period. MCG would also be affected further by questions over Air New Zealand's ownership.

The potential for improved relations with Newmans was explored following the increase in shareholding by Corporate Investments Ltd. Macfarlane stated that "[a] commercial agreement with Air New Zealand is a possibility."[110] Corporate Investments Ltd approached MCG seven months later to express an interest in developing a better relationship between the two parties.[111]

THC hotels at Mt Cook and the West Coast were closed over winter, which affected the flightseeing services in these areas. Wigley had asserted in 1979 that the Hermitage had not been closed for winter since RLW opened it for the winter season in 1922.[112]

Fiordland Travel introduced aircraft into Milford in 1987.[113] Fiordland Travel had received many offers from Newmans and others over the years to buy their business. The group wrote to Fiordland Travel, explaining how the two companies could work together in exchange for assurances that the shareholders of Fiordland Travel sell to the MCG should they wish to sell.[114] Negotiations were not very fruitful, as although Mr L Hutchins, the founder, was enthusiastic, his son and the rest of the board were less keen.[115] The MCG board later considered buying the whole company as it would be beneficial to the Air New Zealand group.[116] A joint venture was seen as a convenient stepping stone to eventual ownership,[117]but this did not eventuate, as Fiordland Travel was declined permission to use the group's Manapouri airstrip in December 1989. Flights were eventually operated as a joint venture with MCA in 1993.[118]

The whole tourism sector was suffering in 1987, as a result of the reduction of government support, combined with the sharemarket crash and the method of charging that wholesalers used to set their prices.[119]

10.8 Conclusion

Financial recovery was achieved in this period. The company's position was stable, but the results were uninspiring. Balanced against the favourable results, the lack of direction in the company was apparent. Rationalisation of the group sacrificed synergies within the group, and created further problems within the remaining divisions.

The environment in which the company operated was rapidly changing. The deregulation of the industries in which it operated exposed the group to a greater level of competition than it had experienced in the past, and more aggressive competition that fought the company on price.

Increasingly, the board looked to Air New Zealand for guidance in its strategies and procedures, and the group was progressively converted into an Air New Zealand clone. This outcome was unsurprising given the shareholding held by Air New Zealand and its heavy representation on the board.

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[1] *Annual Report*, 1986, p.13.

[2] *Annual Report*, 1987, p.28.

[3] *Annual Report*, 1987, p.4 and *Companies Act*, s.157.

[4] *Annual Report*, 1986, p.6.

[5] *Annual Report*, 1986, p.14.

[6] *Annual Report*, 1988, p.8.

[7] *Annual Report*, 1986, p.6.

[8] Air New Zealand, 1982.

[9] *Annual Report*, 1987, p.6.

[10] Directors' minutes, 26 May 1987.

[11] Chairman's address to AGM, October 1985. Included in directors' minute book.

[12] Directors' minutes, 26 May 1987.

[13] *Annual Report*, 1990, p.5.

[14] *Annual Report*, 1990, p.4.

[15] Chairman's address to the AGM, October 1986, in directors' minute book.

[16] Directors' minutes, 27 May 1986.

[17] *Annual Report*, 1987, p.7.

[18] *Annual Report*, 1988, p.15.

[19] *Annual Report*, 1986, p.8.

[20] *Annual Report*, 1986, p.8.

[21] *Annual Report*, 1987, p.9.

[22] *Annual Report*, 1988, p.9.

[23] *Annual Report*, 1987, p.8.

[24] *Annual Report*, 1986, p.8.

[25] *Annual Report*, 1986, p.8.

[26] *Annual Report*, 1671, p.4; 1977, p.16; 1978, p.16; 1979, p.14; 1980, p.18; 1981, p.14;1982, p.14. *Directors' Report and Financial Statements*, 1983, p.2; 1984, p.2. *Annual Report*, 1985, p.16; 1986, p.16; 1987, p.16; 1988, p.16.

[27] Directors' minutes, 4 October 1988.

[28] Directors' minutes, 28 February 1989.

[29] *Annual Report*, 1983, p.3.

[30] *Annual Report*, 1990 p.4.

[31] Directors' minutes, 25 February 1986.

[32] Directors' minutes, 25 March 1986.

[33] Directors' minutes, 26 August 1986.

[34] Directors' minutes, 11 December 1986.

[35] Directors' minutes, 26 May 1987.

[36] Directors' minutes, 31 January 1989.

[37] *National Business Review*, 17 July 1989, p.4.

[38] Directors' minutes, 29 August 1989.

[39] Directors' minutes, 4 August 1987.

[40] Directors' minutes September 1987.

[41] Directors' minutes, 9 October 1985.

[42] Directors' minutes, 22 October 1985.

[43] Directors' minutes, 25 October 1988.

[44] *Annual Report*, 1989, p.8.

[45] *Annual Report*, 1987, p.9.

[46] *Annual Report*, 1987, pp.4 and 28.

[47] Directors' minutes, 11 December 1986.

[48] *Annual Report*, 1988, p.11.

[49] Directors' minutes, 14 August 1985.

[50] Directors' minutes, 26 September 1989.

[51] Directors' minutes, 14 December 1988.

[52] Directors' minutes, 27 February 1990.

[53] Directors' minutes, 22 October 1985.

[54] *Annual Report*, 1986, p.10.

[55] *Annual Report*, 1987, p.10.

[56] Directors' minutes, 27 June 1988.

[57] Directors' minutes, 25 October 1988.

[58] Directors' minutes, 4 June 1985.

[59] Directors' minutes, 9 October 1985.

[60] *Annual Report*, 1986, p.11.

[61] Directors' minutes, 16 December 1985.

[62] Directors' minutes, 28 October 1986.

[63] *Annual Report*, 1986, p.11.

[64] Directors' minutes, 22 October and 16 December 1985.

[65] Directors' minutes, 22 April and 27 May 1986.

[66] Directors' minutes, 24 February 1986.

[67] *Annual Report*, 1987, p.7.

[68] *Annual Report*, 1989, p.9.

[69] *Annual Report*, 1989, p.9.

[70] *Annual Report*, 1986, p.12.

[71] Directors' minutes, 9 October 1985.

[72] *Annual Report*, 1986, p.13.

[73] Directors' minutes, 30 July and 14 August 1985.

[74] Directors' minutes, 25 February 1986.

[75] Directors' minutes, 4 August 1987.

[76] Directors' minutes, 23 September and 22 October 1987.

[77] *Annual Report*, 1990, p.9.

[78] *Annual Report*, 1986, p.12.

[79] *Annual Report*, 1988, pp.4 and 8.

[80] *Annual Report*, 1986, p.12.

[81] Directors' minutes, 21 May and 4 June 1985.

[82] Directors' minutes, 30 August 1988.

[83] Directors' minutes, 4 October 1988.

[84] Directors' minutes, 31 January 1989.

[85] *Annual Report*, 1986, p.6.

[86] *Annual Report*, 1985, p.5.

[87] Directors' minutes, 25 February 1986.

[88] Directors' minutes, 25 February 1986.

[89] *Annual Report*, 1990, p.5.

[90] *Annual Report*, 1989, p.5.

[91] Directors' minutes, 30 July 1985.

[92] Directors' minutes, 25 February 1986.

[93] Directors' minutes, 29 July 1986.

[94] Directors' minutes, 25 November 1986.

[95] Directors' minutes, 4 October 1988.

[96] Directors' minutes, 24 March 1987.

[97] Directors' minutes, 27 March 1990.

[98] Rennie, 1990, p.159.

[99] Easton, 1997, p.224.

[100] *Annual Report*, 1986, p.6.

[101] Directors' minutes, 24 October 1989.

[102] *Annual Report*, 1986, p.6.

[103] *Sunday Star Times*, 22 April 2001, p.3.

[104] *Annual Report*, 1987, p.8.

[105] *Annual Report*, 1989, p.7.

[106] Directors' minutes, 11 April 1988.

[107] *The Press*, 23 February 1988, p.1.

[108] *The Press*, 23 February 1988, p.1; *The Press*, 24 February 1988, p.1; Directors' minutes, 23 February 1988.

[109] Directors' minutes, 11 April 1988.

[110] Directors' minutes, 27 June 1988.

[111] Directors' minutes, 28 February 1989.

[112] Wigley, 1979, p.77.

[113] Directors' minutes, 4 August 1987 and Hutchins, 1998, p.181.

[114] Directors' minutes, 15 December 1987.

[115] Directors' minutes, 11 April 1988.

[116] Directors' minutes, October 1988.

[117] Directors' minutes, 14 December 1988.

[118] Hutchins, 1998, p.181.

[119] Directors' minutes, 11 April 1987.

Chapter 11

Discussion

This chapter addresses each of the analyses used in the preceding chapters. The limitations of each analysis are addressed, and further research is suggested. This chapter also addresses entrepreneurship, which has appeared as a strong motif in the company, and briefly examines the role of the government with respect to this business.

11.1 Traditional Analysis

The traditional analysis attempted to reproduce the information and impressions that would have been held by contemporary report users. The analysis relied on simple trends, ratios and observations that were drawn from the annual reports. It would be common for an observer to consider each year's results on their own rather than study a long series of reports. This analysis looked at extended periods of time to give a more realistic impression of the progress of the company than each year considered in isolation would produce.

The traditional analysis showed that the company had a difficult period in the 1930s. There can be little surprise with this result, given the frequently non-essential nature of the services the company provided, and the downturn in consumer confidence. A capital write-off in 1937 cleared the company's books of accumulated losses and set the stage for a fresh start.

While still recovering from the impact of the Depression on the business, the Second World War caused another drop in the company's trading. The number of overseas visitors to the country dropped to almost zero. The company did well to prevent earnings from falling further than the declines they did suffer. Profitability was unpredictable, with results in the war years ranging from a loss of £5288 in 1942 to a profit of £5346 in 1943. The debt to equity ratio reached a reasonable level for the first time in this analysis in 1943, following the passing of the Hermitage back to the government's control.

Recovery can be seen in the 1946-1955 period when HRW took over his father's role as managing director. Sales in each year increased smoothly, tapering off a little in the early 1950s. Profitability was consistently positive, with the exception of 1946, which bore high expenses to get the vehicle fleet back into good order following the unavailability of parts during the war.

Positive results and trends continued into the 1956-1965 period. Profit climbed each year from 1962 to reach £8328 in 1965. Dividends rose from 6%, a level that had been maintained since 1949, to 8% in 1962, which would have been interpreted positively by investors and potential investors. Equity more than doubled in this period, indicating strong growth. The company made confident use of debt, which exceeded the company's equity in 1964 and 1965.

Change in the business accelerated in the following period, 1966-1980. Although this was the longest period in the analysis, there was a clear change in the way that the company operated. Profitability had a slow start, but increased by healthy margins at the end of the 1970s. Sales led the way, with strong growth visible from 1973. Share issues as bonuses to shareholders became more prevalent and were also used as a method of payment for fixed assets.

The company continued its evolution from a family business to a large corporate entity in the next period. The structure of the board shifted from HRW's friends and colleagues to a board dominated by accountants and representatives of Air New Zealand. Sales more than doubled between 1981 to 1985, and profits climbed each year, until a drop occurred in 1985, attributed to "devaluation, competition and capacity constraints with the industry at peak periods."[1]

The last period of this analysis showed a slower rate of growth in sales, while profitability was reasonably steady. The annual reports became increasingly complex, with use made of changes in accounting policy to improve reported results.[2]

The traditional analysis provides an understanding of factors that investors would have been looking at to make investing decisions. In the later periods, the accounting information would also have been used by creditors to assess the creditworthiness of the company, particularly sellers of major items, such as aircraft and trucks.

The audit reports indicated the financial statements gave a "true and correct" view of the company until 1956, when the expression changed to a "true and fair" view, in accordance with the Companies Act 1955 requirements. This change in expression has been the subject of some academic discussion,[3] but the issue here is that the annual reports presented by the company usually satisfied the auditor's requirements.

The company's financial statements were unqualified throughout the time span studied, with two exceptions. The audit report was qualified in 1977 to 1980 because equity accounting was not adopted for the shares in the Travelodge (N.Z.) Ltd. A clear audit report was obtained in the following two years, by recognising an adjusted value for the shares which reflected the MCG's interest in the entity. The shares were sold in 1982. The second exception was for three years from 1983 to 1985 when the company failed to follow the newly introduced current cost financial reporting requirements. This qualification was widespread, and was therefore unlikely to cause investors and other report users any concern.

The traditional analysis has provided an understanding of the group's performance and position as it would have been assessed throughout the timeframe of this research. It formed the base with which the cash flow analysis and the historical analysis were compared.

11.1.1 Limitations of the Traditional Analysis

The traditional analysis has been restricted in its usefulness by widespread awareness of the traditional ratios. There is an incentive for the report preparers to check the ratios before the data is published to ensure that the ratios will provide a favourable analysis. There is then an opportunity to apply different interpretations or accounting policies to achieve improved results to satisfy the known ratios and methods of analysis.

Research that covers an extended time period will also encounter difficulties with data that has been prepared under different accounting rules. Certainly in the 60 years that this thesis covers, accounting rules and definitions have changed. For a short term it may be possible to adjust data so that it is prepared on the same basis, but over this extended time frame the exercise would add little value to the integrity of the data used in this analysis. It is better to acknowledge the limitation and work with the data as contemporary users used it.

11.1.2 Further Research Using Traditional Analysis

Further research using traditional analysis will continue to be performed by users of the financial reports, and in particular, by financial analysts. The traditional analysis in this research has been improved by taking a longer time period than most users would adopt. This has shown trends over a longer period, and drawn attention to ongoing problems, such as the working capital ratio, which are easy to overlook when a short time span is examined. Traditional analysis on its own will hold little interest for academic researchers, but is a necessary starting point in analysing business performance.

11.2 Cash Flow Analysis

Analysing the cash flow of the MCG has enhanced understanding of its performance over time. Applying the OCFAID analysis in retrospect has brought to light information that would not have been available to investors or other report users at the time.

Cash flows for operating, investing and financing activities were derived from the annual reports, and the extraction of this information has supported the narrative accounts provided by employees and directors. While it was not evident from the traditional analysis of the annual reports that the company was usually short of cash as interviewees had indicated, the cash flow analysis has brought this fact to light. Cash flow information has proven its worth by revealing to report users information that was known by persons involved in the company, but not explicitly shown in the annual reports.

The first period, in the 1930s, showed that the cash flows and retention of earnings within the company were both poor. For investors, this would have caused concern had they been aware of this situation.

The second period, from 1937 to 1945, showed a turnaround in the cash flow position. From a low in 1942, both accumulated operating cash flow and accumulated retained earnings showed an upward trend, indicating that the company had made changes to put operations on a more sound footing. The major change that occurred at this time was the relinquishment of the Hermitage hotel at Mt Cook.

Retained earnings remained low but stable from 1946 to 1955, while the cumulative OCFAID showed an encouraging positive trend. These positive indicators could have been favourably interpreted by investors if the information had been available at the time.

The third period, from 1956 to 1965, showed a similar pattern to the previous period. Cumulative OCFAID was positive, which only a few years of minor growth, and the retained earnings remained small.

Cumulative OCFAID continued its growth in the period from 1966 to 1980, and for the first time in the analysis, cumulative retained earnings showed a healthy increase. This could be attributed to the growth in the size and range of operations that the group undertook. Another contributing factor to the obvious growth was the high inflation in this period. Set against this positive result, the cumulative investing cash outflow exceeded the cumulative inflow from operations in every year but one. This situation is likely to be encountered in most businesses experiencing growth, but it does make the business vulnerable to collapse due to cash shortages. At the end of this period, there was a threatened takeover, highlighting the group's vulnerability.

Both cumulative OCFAID and cumulative retained earnings increased in the period from 1981 to 1985. Against this positive impression, the cumulative investing cash outflow exceeded the cumulative operating inflow, thus creating a drain that had to be met by further finance. The extent of the difference between accumulated operating inflow and accumulated investing outflow increased over time.

The trend for investing outflow to exceed operating inflow was only reversed in 1989. The final period from 1986 to 1990 also resulted in a favourable OCFAID graph. With Air New Zealand holding the majority of shares, and possibly plans for full acquisition, there was less incentive to take profits from the company's pool of resources.

This thesis has extended the OCFAID model proposed by Robb and Lewis.[4] Their model looked only at the operating cash flow of an entity. The analysis of the Mount Cook Group in this research has extended this model, by also looking at financing and investing cash flows. The investing cash flow was important in this analysis, as the operating cash inflow was positive, but the investing cash outflow exceeded this in most years. The cash gap which was identified in the periods from 1956 onwards provided a valuable insight into the cash shortage that employees had discussed in interviews. The cause of the shortage was not apparent from the traditional ratios, although the working capital ratio indicated quite well that the group had insufficient short-term resources. The cash flow analysis has shown that the commitment to investments, such as long-term assets, was the cause of this cash shortage.

Examination of the cash flows for operating, investing and financing activities has cast greater light on the accounting data than a more traditional analysis has provided.

11.2.1 Limitations of the Cash Flow Analysis

Drtina and Largay[5] found a number of pitfalls that can arise when using the indirect method to calculate cash flow from operations (CFO). They identified six potential problems with deriving cash flow with the indirect method. These were:

- ambiguity in the definition of "operations"
- diversity in reporting practices
- impact of changes in the reporting entity on the noncash current accounts
- use of absorption costing in accounting for manufactured inventory
- measurement of current portion of long-term leases
- reclassifications between current and noncurrent accounts.[6]

Two raise concerns for the present study; diversity in reporting practices and the impact of changes in the reporting entity on the noncash current accounts.

Diversity in reporting practices was identified in their article as a cause for concern. While this would prima facie appear to be irrelevant for a single case study, the longitudinal nature of the study raises concern about changes in reporting over time. It is clear from the change in reporting styles from 1930 to 1990 that there have been significant changes in the role and provision of accounting information over time. From a single page measuring 420 x 265 mm in 1930, containing information marked "confidential", to a 25-page report with colour photographs and graphs in 1990, there are clearly changes in legislative requirements, technology and attitude influencing the reports.

The second problem that is relevant to this research is the impact of changes in the reporting entity on the noncash current accounts. These changes arise from the acquisition/disposition of other entities, and became material from 1969 onwards. The absence of the subsidiaries' separate financial statements make it impossible (except by chance) to unravel the changes in noncash current assets attributable to these changes when a second or subsequent subsidiary is introduced. This situation must then be recognised and accepted as a limitation to the research method in the presence of changing consolidation. The magnitude of this problem is small, given that most new subsidiaries are small relative to the group prior to the inclusion of the new subsidiary. The impact of the new subsidiary on the statement can therefore be taken to be immaterial in the overall picture.

In some instances, where a reverse takeover occurs, OCFAID will not be derivable from the published annual reports prior to 1993, when the effect of acquiring new subsidiaries had to be shown. For recent years, the issue of deriving cash flow is largely irrelevant as the report has been required since 1988, but prior to this, there may be some difficulties.

11.2.2 Further Cash Flow Research

The development of OCFAID and its extension to look at financing and investing cash flows provides a valuable tool for the analysis of businesses both past and present. Little cash flow research has been undertaken in New Zealand, and given its small size globally, thorough analysis of an industry or period in time would be achievable and potentially very rewarding, giving insight into further factors that may have not already been considered in OCFAID's development. This thesis would contribute to a study of the tourism sector or transport, especially aviation, which could yield some valuable results for planners and regulators, as well as investors and financiers.

11.3 Historical Analysis

This analysis provided greater explanatory power when combined with the quantitative analyses above. While there is much to merit the quantitative analyses, no examination of the performance of an entity can provide a full understanding without reference to its actual operations and to the environment in which it operated. Turning accountants and analysts to the non-quantitative information can assist in making a more complete assessment of an entity's performance.

The sixty years that this study has covered have been turbulent. The 1930s Depression created a difficult environment for a business which provided non-essential services. The founder, RLW, persevered with the venture, and even added new services over time even though there was no immediate indication that the economic environment would improve.

While still recovering from the effect of the Depression, the Second World War broke out, and caused major problems for the tourism and transportation operator. International visitors to the country dropped to an insignificant level which deprived the company of an important source of customers. Staff were drafted into the armed forces which created staff shortages. Parts and equipment were difficult to find as resources were directed to the war effort.

The death of the company's founder in 1946 was a turning point in the business. RLW was replaced by his son, HRW, as the managing director. HRW was a new leader and he had his own ideas about the future of the business. Under HRW's direction, air services became a part of the group, and eventually an airline was started. While HRW continued the services that RLW had commenced, aviation was his passion, and took a great deal of his attention.

Transportation services underwent major changes throughout the period studied. From service cars in the early days, to coaches that were eventually built by the company, the public transport grew. Over time, private cars became more popular, and to take advantage of this trend, rental cars were offered for hire. The bus services were less well patronised as people preferred the flexibility of travelling in their own vehicles. Ultimately, this led to further diversification into rental motor homes for a short time in the 1980s.

In addition to land transport, the company diversified into air services, which became a major part of the group in later years. From the early failure of the Queenstown-Mount Cook Airways Ltd in the 1930s, air services were re-introduced in the 1950s. Agricultural services were the main initial service in this area, later diversifying into tourist services, through the skiplane activities. Domestic passenger flights were introduced in the 1960s to serve both local and tourist needs.

11.3.1 Limitations of the Historical Analysis

This case study examined a single group of companies in detail. As a result of this approach, results cannot be generalised to a population. This limitation could be overcome by further studies on similar companies or groups, so that work of the nature of Chandler's *The Visible Hand* could be undertaken in the New Zealand situation. New Zealand is ideally suited to this sort of study because of its small size and relatively short commercial history.

The historical analysis can only present the views of parties that were available to be interviewed, given time and financial constraints. Efforts were made to ensure that a combination of family members and employees were interviewed, and that as long a time span as possible was covered. Ideally, more interviewees from both earlier and later in the time span covered would have enhanced the study.

11.3.2 Further Historical Research

Business history is underdeveloped in New Zealand. As with extended cash flow studies, as discussed above, thorough research of a single industry would be achievable and fruitful. Business histories are largely completed on the passing of a significant milestone in a business's history, such as its fiftieth anniversary, and are usually commissioned by the business. This does not set the stage for impartial, analytical research, but rather for laudatory anecdotal publications. While these have a place, there is ample scope for objective critiques based on a single business, or a group of businesses. New Zealand provides opportunities for most interests as the small size of the country and short duration of western capitalistic business's existence makes specific studies manageable.

There is a need for more economic history in New Zealand. An unsolved question that arose during this research related to the dividend policy of New Zealand companies at the end of World War Two. While this research has been able to trace the actions of the MCG, there is an area of research to identify what trends, if any, developed over time. This would also provide a valuable resource to any researchers who are writing about single cases to draw on similarities and differences between their case and the overall trend.

Any business history is incomplete without reference to Chandler's essential work, *The Visible Hand.* His synthesis of the development of American big business production and distribution and the role of management in those changes was achievable only through the use of secondary sources. This pool of resources does not yet exist in New Zealand, thereby impeding the development of similar works in the New Zealand context. Development in this area could contribute to a shift in focus by businesses from the very short-term to a better informed, longer-term perspective.

11.4 Entrepreneurship

Literature in the field of entrepreneurship has failed yet to reach a common agreement on the definition of entrepreneurship. This section draws on the definition provided by Carland et al as "an individual who establishes and manages a business for the principal purposes of profit and growth. The entrepreneur is characterized principally by innovative behaviour and will employ strategic management practices."[7]

Entrepreneurship has been evident throughout the earlier part of this research. RLW has been identified in several works as an entrepreneur, with ideas decades ahead of his time.[8] He satisfied the criteria of Carland et al's definition, in that he established and managed the Mount Cook Group. His principal purposes cannot be ascertained at this stage, but growth was clearly a driving force for RLW, as evidenced by HRW's comments: "The success of any venture, so far as he was concerned, was to get it operating to his satisfaction; whether it was profitable or not was of secondary importance."[9] This quote also shows that profit, on the other hand, was not important to RLW in his decision making, except to the extent that profit is necessary for a business to continue and grow. His innovative behaviour is clearly demonstrated by his adoption of cutting edge technologies, such as his involvement with aviation decades before widespread public acceptance of the technology. Strategic management practices were demonstrated in his long-term forward planning, in the face of the 1930s Depression. RLW endured two company failures: the Mt Cook-Queenstown Airways, and the Chateau Tongariro. In spite of these setbacks, he continued to plan for future developments. While his successes were tempered by the two failures his entrepreneurial spirit was not quashed.

Classical entrepreneurship involves start-up as Carland et al include in their definition, thereby excluding HRW as an entrepreneur because he took over his father's role as managing director. Timmons[10] argued that entrepreneurship can occur at any time in the life of a corporate entity, and for this reason it is valid to consider HRW an entrepreneur despite his role as a replacement managing director. HRW's commencement of the agricultural and skiplane air services division as a separate company fulfils the definition set by Carland et al, despite its timing in the middle of the life of the whole group. HRW was more focused than RLW on profitability, which may have been the result of working in a more sophisticated and competitive environment. HRW's innovative behaviour was amply demonstrated in his design and construction of retractable skis for the Auster aircraft to enable the skiplane's glacier landings. HRW met with more success than his father did, and some may regard HRW as the greater entrepreneur for that reason. RLW's longer planning time horizon mark him as the greater visionary of the two.

In contrast with the leadership provided by the two entrepreneurs, the period following HRW's death in 1980 illustrated the significance of the entrepreneurial input. PS Phillips became the managing director shortly before HRW's death, and RW Steele was appointed as Chairman of the Board following HRW's death.

From 1980 onwards, the MCG lacked strong innovative leadership. While Phillips filled the role of managing director, innovation was demonstrated with the inclusion of a sound recording with the 1982 *Annual Report*. His efforts to keep alive the spirit and enthusiasm of his predecessor were thwarted by a board of directors dominated by strong personalities.[11]

The demise of entrepreneurship was sealed by the acquisition of a majority shareholding by Air New Zealand, a company that has shown in recent years its lack of innovation and clear strategy. An interviewee stated that "Air New Zealand has been bankrupt for years. Not financially, but in terms of management and ideas."[12]

11.5 The Role of Government

The company had a continuous relationship with the government. In the early years of this analysis, the government was keen to encourage private development of tourism enterprises. Transportation, on the other hand, was keenly contested by the government, and the takeover of the Eglinton Valley services by the Railways Department demonstrated governmental intolerance for competition. In contrast, provision of transportation services by the company was largely dependent on receiving mail contracts from the government. This need to cooperate yet compete with the government remained a battle throughout the company's life, even as governments and ideologies changed over time.

Government also had an influence on the provision of accommodation services. The Hermitage, built by the government, was controlled by the government until RLW took it over in 1922. There were some objections to the hotel being privately operated, but it was passed back to the government in 1942. It eventually became a part of the Tourist Hotel Corporation, owned by the government.

The Chateau Tongariro, of which RLW was managing director, had a chequered connection with the government. Its construction was prompted by the government's offer to lease the land so that a modern hotel could be built for visitors to the park. After RLW put the hotel into receivership, the Chateau was briefly held by Fletchers (later Fletcher Construction),[13] before it passed into government control. Eventually the property also became part of the Tourist Hotel Corporation's chain, along with the Hermitage.

In later years, HRW faced a similar need to keep the government happy while competing in some areas. The government controlled provision of aviation services. However, the company had built some of its own air fields, and cooperation between the private company and government-owned airlines was fraught.

11.6 Conclusion

Each of the analyses provided above offered some insight into the activities and performance of the company throughout the sixty years studied. Each is insufficient on its own to provide a full understanding of the group of companies. A more comprehensive explanation of the group's past can be obtained by combining the analyses. A quantitative analysis of the group was based on the annual reports using reported and derived data to gain an understanding of the group's performance and position. The cash flow analysis was able to explain some situations that the traditional analysis was able to identify, but not explain. The insights that the quantitative analysis provided are enhanced with the addition of the historical analysis, which shifts the attention of the analysis from presented data to information that may be outside of the company under investigation, but is nonetheless vital to understanding its motivations and environment. The former quantitative analyses are inadequate to provide a complete understanding without the addition of the examination of internal changes and externalities that affect a company. The external factors that were important in this thesis were the entrepreneurship of the founder and his son, and the diverse relationship the company had with the government over time. Examining these facets of the company has provided insight into the company's performance that the quantitative analysis was able to measure, but not able to explain.

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[1] *Annual Report*, 1985, p.6.

[2] See Chapter 10 for examples.

[3] Cowan, 1965; Chambers and Wolnizer, 1990 and 1991.

[4] Robb and Lewis, 2002.

[5] Drtina and Largay, 1985.

[6] Drtina and Largay, 1985, p.325.

[7] Carland et al, 1984, p.358.

[8] Drake 1996; *NBR*, 13 August 1999; *The Timaru Herald*, 29 April 1946.

[9] Wigley, 1979, p.13.

[10] Timmons, 1999.

[11] Interview with P Phillips, August 2001; *The Press*, 3 March 1986, p.4.

[12] Interview conducted in the course of this research. Interviewee did not wish to be named.

[13] Robinson, 1970, p.97.

Chapter 12

Conclusion

The three analyses have each yielded different information on the Mount Cook Group's performance. The traditional ratio analysis provided a contemporary view of the group's performance and position over time. The working capital ratio indicated that the group managed to operate with a very low level of current assets to current liabilities, which was supported by interviews with employees that the company was often struggling for cash.

OCFAID has provided an insight into the performance of the MCG which was unavailable from the traditional analysis of the annual reports. Operating cash flow showed that the group had positive operating cash flow in most periods, except 1930-1937. This implies that the group should not have had any difficulties with its short-term liquidity, or its long-term solvency. The cash flow analysis was extended to look at both investing and financing cash flows. The investing cash flow supported the information that was obtained in the historical analysis, particularly the assertion that the company struggled for cash in the 1960s. The investing cash outflow exceeded the operating cash inflow in most periods, which would have strained the net cash position.

OCFAID is based on a reasonably straightforward calculation, but there were some difficulties in applying the model to this case study. Difficulties were particularly evident in the years when a new subsidiary was added to the group. This case study had to use the indirect method to derive cash flows. The Statement of Cash Flows has been required in New Zealand since 1 January 1988, so for research that covers only periods subsequent to that time, these difficulties should not arise.

Another difficulty with the indirect method was the inability to ascertain that all the necessary adjustments have been made. Without full access to internal reports this cannot be achieved.

Changes in accounting definitions and accounting standards over the 60-year period have complicated an accounting-based analysis as data prepared on different bases has of necessity been compared. While it would be ideal to convert all data to the same basis, it would not be practical over such an extended timeframe. The non-transformation is a factor that the extended timeframe draws out that a shorter study can better ameliorate. However, it does draw attention to the evolution of accounting concepts, and may point the direction for future improvements.

The OCFAID model and its extension to examine investing and financing cash flows has provided further insight into the performance of the Mount Cook Group that was not evident from the traditional ratio analysis. While the ratios could identify that there were insufficient current assets, the cash flow analysis has shown that this was attributable to a cash shortage, caused by a high level of investment in new assets. The analysis of the investing cash flow extends prior OCFAID research and suggests areas for further research.

The historical analysis was able to advance this information further, by identifying the activities that the group was undertaking. A quantitative analysis does not take factors such as changes in the type or scale of operations into account, nor is it able to explain why the changes were made. The historical analysis was able to reveal the reasons for the some of the changes, and to draw attention to the changing environment in which the group operated. This was particularly important for this thesis, which covered a 60-year timeframe, as the nature of business changed significantly over this time. An example of external change was the shift from a strongly interventionist government to a free market approach.

The business history of the MCG is significant to New Zealand. The group made important changes to the way that New Zealanders saw the country, and to the experiences of tourists to the country, particularly with the innovation of skiplane flights in the Mount Cook area. This case study has also made an important contribution to recording New Zealand's history by recording the contribution of one of the country's earliest and largest private tourist operators.

Entrepreneurship was vital to the success of the Mount Cook Group. The ongoing energy and commitment of RLW in the early years of this research, in the face of economic depression and World War Two, marked him as an entrepreneur. HRW continued on an entrepreneurial path and developed the business to become a nationwide passenger and freight carrier, on the roads and in the air. The importance of entrepreneurship in these early years becomes apparent when contrasted with the following years when the company lost its entrepreneurial leadership in the 1980s. This period was less innovative and took fewer risks, which was reflected in slower growth.

Accountants became more dominant on the board of directors during the 1980s, when the group lost its entrepreneurial leadership. The board's focus shifted from plans for the next five or more years, to assessing what had happened in the more immediate past. Consequently, Air New Zealand saw an opportunity to increase its influence on the MCG, leading to its eventual acquisition of the group in 1990. It is difficult to envisage this conclusion had entrepreneurial vision remained on the board.

This case study highlights the retrospective focus of the accountants on the board, and should therefore raise concern in the profession as it seeks to reposition itself in the business community as business experts. The retrospective perspective needs to be replaced with forward-looking, long-term planning, which is unafraid of entrepreneurial opportunities and their associated complexities and ambiguities. This case study has illustrated how getting the accounting information right was insufficient to keep this business alive as an independent entity.

Countered against the need for a long term vision for the future, this thesis has gained greater insight on the group's performance from its extended longitudinal timeframe. The financial and historical analyses have gained greater insight into the purpose of the group from examining a 60-year time span. A shorter time span is frequently used for financial analyses. While this can be justified on the grounds of comparability, it eliminates richness that the longer focus has revealed. The longer time span has also enabled an understanding of complexities that a short time span is unable to resolve.

This case study has also illustrated the need to balance the quantitative analyses with a qualitative examination of a company and its environment. The qualitative examination used tools from the discipline of history. Interdisciplinary research carries its own risks, but has proven in this case to be well worthwhile. New techniques were discovered and ideas common to one discipline can well shed new light on problems in the other discipline. The commonalities between history and accounting have only been explored briefly in accounting literature, and this research has shown the real benefits that can be gained from expanding the boundaries of a discipline and applying techniques from another discipline. While the quantitative analysis has given an understanding of the group's performance and position, the qualitative analysis was essential to understand why the results were achieved.

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Appendix 1
Calculation of Cash Flows

The following pages are the calculations made to derive the cash flows from 1931 to 1990.

First, there is a series of summaries for the traditional analysis, showing the data used for the traditional graphs and tables.

These pages are followed by summary data for the cash flows.

Finally, each year has a one-page spreadsheet showing the derivation of each year's cash flows.

	Gross Profit and Takings (GPT)	Profit before Dividend & Transfers	Profit as a percentage of GPT	Debt/ Equity Ratio	Current Assets/ Current Liablities	Profit/ Assets	Dividends %	Total Assets	Growth in GPT over last year	Growth in profit over last year
1930	50657	4361	8.61%	119%	114%	3.1%	8	142535		
1931	38108	-17866	-46.88%	128%	129%	-12.6%	0	141321	-24.8%	-510%
1932	24448	-15966	-65.31%	103%	128%	-14.0%	0	114318	-35.8%	-11%
1933	22095	-13099	-59.28%	128%	85%	-12.9%	0	101577	-9.6%	-18%
1934	23933	-4823	-20.15%	141%	76%	-4.9%	0	97449	8.3%	-63%
1935	30540	-2112	-6.92%	156%	66%	-2.1%	0	98411	27.6%	-56%
1936	35754	1300	3.64%	143%	79%	1.3%	0	101611	17.1%	-162%

Figure 4.2: Gross Profit andTakings 1930-1936

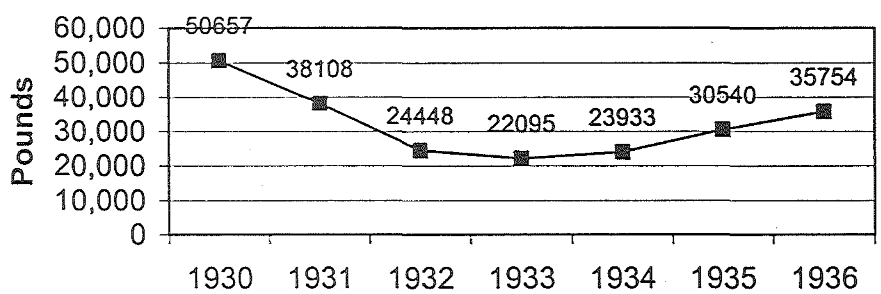
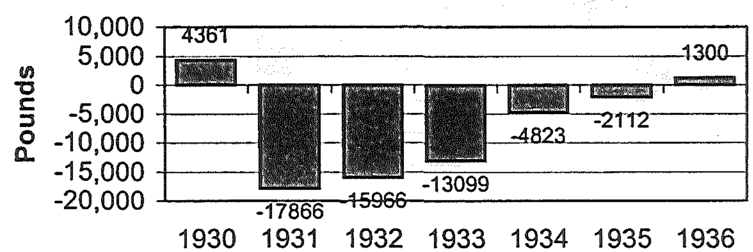


Figure 4.3: Net Profit After Tax 1930-1936



	Gross Profits and Takings (GPT)	Profit before Dividend & Transfers	Profit as a percentage of GPT	Debt/ Equity Ratio	Current Assets/ Current Liablities	Profit/ Assets	Dividends %	Total Assets	Growth in GPT over last year	Growth in profit over last year
1937	43646	7001	16.04%	151%	105%	6.1%	0	114816	22.1%	439%
1938	50828	1542	3.03%	147%	264%	1.3%	0	116695	16.5%	-78%
1939	51400	416	0.81%	148%	218%	0.4%	0	117602	1.1%	-73%
1940	41742	-3956	-9.48%	157%	152%	-3.5%	0	112634	-18.8%	-1051%
1941	40048	-2518	-6.29%	164%	154%	-2.3%	0	108625	-4.1%	-36%
1942	36777	-5288	-14.38%	196%	284%	-5.0%	0	105989	-8.2%	110%
1943	26341	5346	20.30%	61%	316%	8.1%	0	66380	-28.4%	-201%
1944	33568	4393	13.09%	49%	226%	6.5%	2.5	68065	27.4%	-18%
1945	37680	4256	11.30%	46%	206%	5.9%	5	72729	12.2%	-3%

Figure 5.2: Gross Profit and Takings 1937-1945

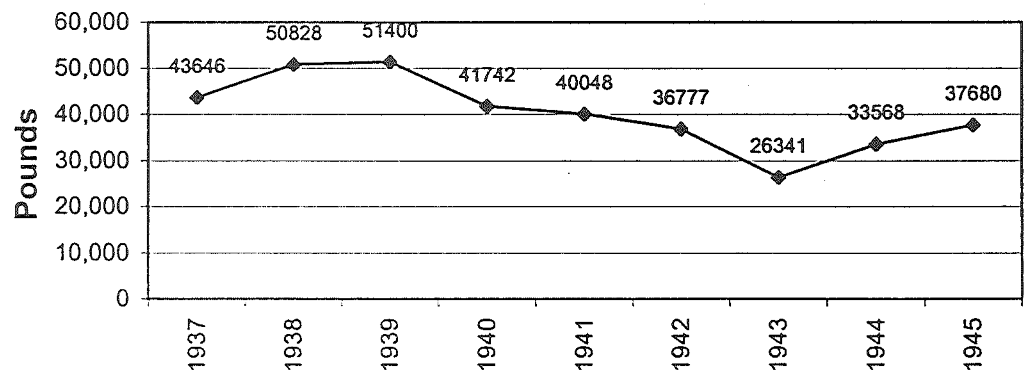
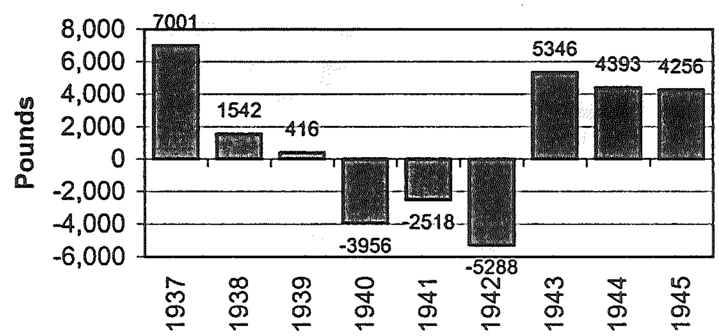


Figure 5.4: Net Profit After Tax 1937-1945



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	Gross Returns and Takings (GRT)	Profit before Dividend & Transfers	Profit as a percentage of GRT	Debt/ Equity Ratio	Current Assets/ Current Liablities	Profit/ Assets	Profit/ Equity	Dividends %	Total Assets	Growth in GRT over last year	Growth in profit over last year
1946	46956	-1374	-2.93%	70%	117%	-1.9%	-3.2%	5	73691	24.6%	-125%
1947	54168	2419	4.47%	85%	41%	3.0%	5.5%	5	81759	15.4%	-276%
1948	76104	2702	3.55%	81%	60%	3.3%	6.0%	6	81500	40.5%	12%
1949	79002	2972	3.76%	77%	67%	3.7%	6.5%	6	80653	3.8%	10%
1950	89246	3066	3.44%	71%	53%	3.8%	6.4%	6	81646	13.0%	3%
1951	99707	2786	2.79%	74%	62%	3.2%	5.6%	6	86820	11.7%	-9%
1952	100150	1928	1.93%	54%	85%	2.3%	3.5%	6	85676	0.4%	-31%
1953	94212	2832	3.01%	37%	124%	3.7%	5.1%	6	76514	-5.9%	47%
1954	93768	2730	2.91%	51%	97%	3.2%	4.8%	6	84747	-0.5%	-4%
1955	92381	929	1.01%	53%	97%	1.1%	1.7%	6	83944	-1.5%	-66%

Figure 6.2: Gross Returns and Takings 1946-1955

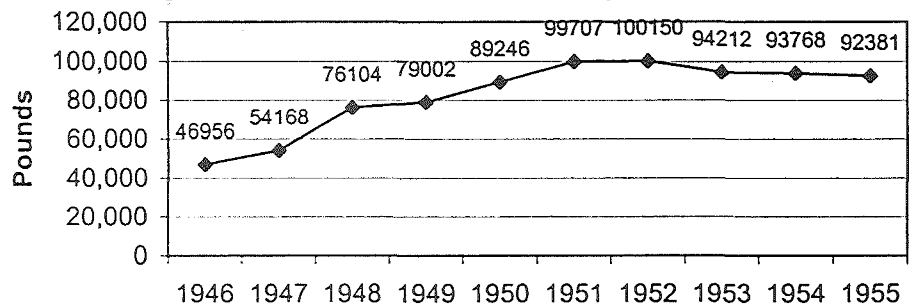
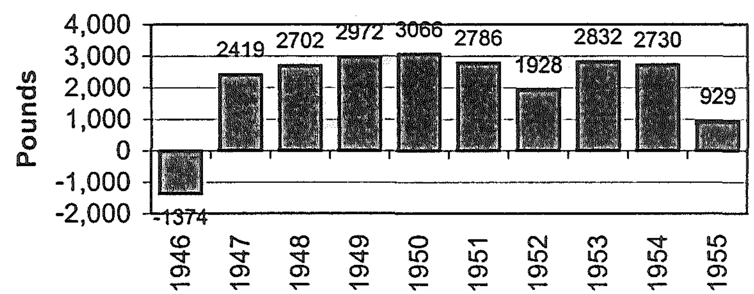


Figure 6.3: Net Profit after Tax 1946-1955



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	Gross Returns and Takings (GRT)	Profit before dividend & transfers	Profit percentage of GRT	Debt/ Equity Ratio	Current Assets/ Current Liabilites	Profit/ Assets	Dividends %	Total Assets	Growth in GRT over last year	Growth in profit over last year
1956	87005	5024	5.77%	0.76	48%	5.0%	6.0	100963	-5.8%	441%
1957	85241	2865	3.36%	0.63	58%	2.9%	6.0	99305	-2.0%	-43%
1958	94998	1824	1.92%	0.56	94%	1.9%	6.0	93853	11.4%	-36%
1959	98127	1857	1.89%	0.51	68%	2.1%	6.0	89978	3.3%	2%
1960	106442	3848	3.62%	0.52	62%	4.1%	6.0	92988	8.5%	107%
1961	113680	5203	4.58%	0.67	53%	4.9%	6.0	107080	6.8%	35%
1962	142192	3655	2.57%	1.00	54%	2.7%	8.0	133161	25%	-30%
1963	162469	5006	3.08%	0.77	79%	4.1%	8.0	120924	14%	37%
1964	210388	6620	3.15%	1.28	46%	3.6%	8.0	184824	29%	32%
1965	301550	8328	2.76%	1.26	70%	3.1%	8.0	272186	43%	26%

Figure 7.3: Net Profit after Tax 1956-1965

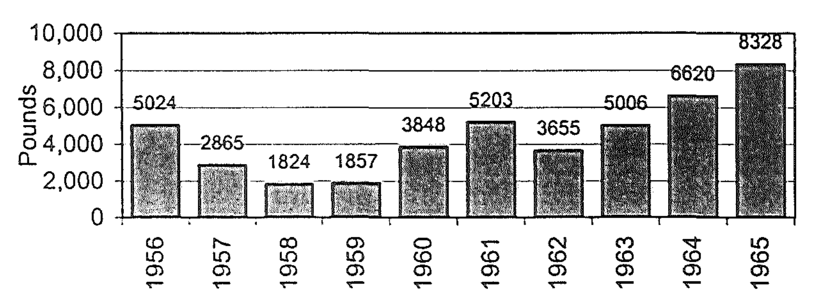
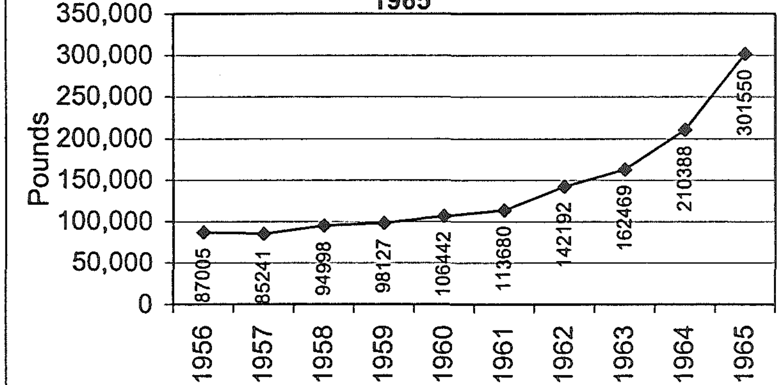


Figure 7.2: Gross Returns and Takings 1956-1965



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$000	Revenue	Profit before Dividend & Transfers	Profit as a percentage of Revenue	Debt/ Equity Ratio	Current Assets/ Current Liabilities	Profit/ Assets	Dividends %	Total Assets	Growth in Revenue over last year	Growth in profit over last year	
1966	804	23	2.83%	0.99	80%	3.2%	8	707.844	33.3%	37%	
1967	1043	56	5.37%	1.00	64%	7.1%	9	785.688	29.7%	146%	
1968	1159	35	2.98%	0.89	60%	3.4%	9	1004.165	11.1%	-38%	
1969	1962	68	3.45%	2.46	67%	2.8%	9	2442.148	69.4%	96%	
1970	2302	102	4.44%	1.62	86%	3.1%	9	3273.729	17.3%	51%	
1971	3020	91	3.02%	1.63	73%	2.3%	9	4015.619	31.2%	-11%	
1972	3811	151	3.96%	2.36	53%	2.9%	9+2	5252.643	26.2%	66%	
1973	7653	338	4.42%	2.17	67%	4.5%	9	7534.914	100.8%	124%	14 month period
1974	10238	531	5.19%	1.43	89%	4.6%	12	11636.996	33.8%	57%	
1975	12507	426	3.41%	1.58	68%	3.2%	12	13310.169	22.2%	-20%	
1976	14463	379	2.62%	1.52	83%	2.8%	12	13661.502	15.6%	-11%	
1977	17776	626	3.52%	1.72	84%	3.7%	12	16917.990	22.9%	65%	
1978	20955	1016	4.85%	1.38	83%	6.0%	13	17064.948	17.9%	62%	
1979	23279	998	4.29%	0.97	88%	5.0%	11	19803.238	11.1%	-2%	
1980	32370	1131	3.49%	0.74	113%	5.0%	11	22799.722	39.1%	13%	

Figure 8.3: Revenue 1966-1980

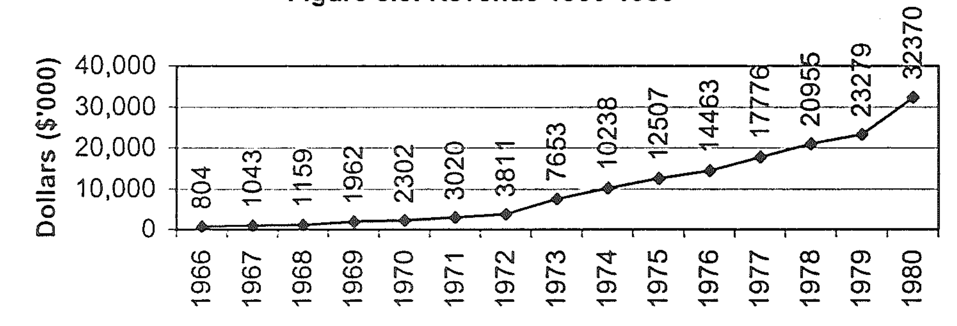
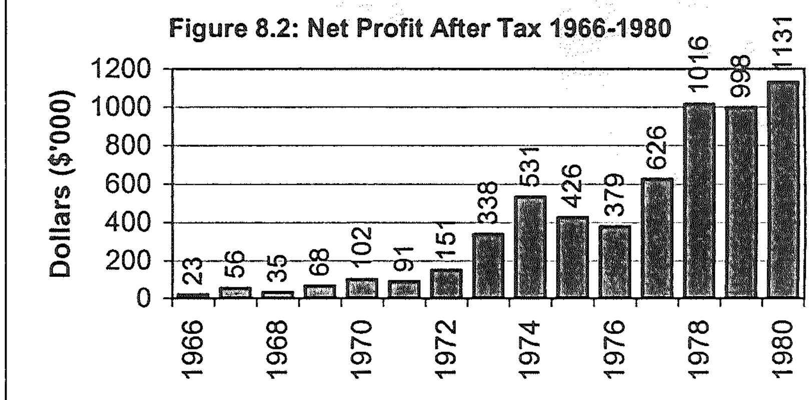


Figure 8.2: Net Profit After Tax 1966-1980



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$000	Gross Revenue	Profit before Dividend & Transfers	Profit as a percentage of Gross Revenue	Debt/ Equity Ratio	Current Assets/ Current Liabilities	Profit/ Assets	Dividends %	Total Assets	Growth in Gross Revenue over last year	Growth in profit over last year
1981	38587	2333	6.0%	52%	138%	8.2%	13	28302	19.2%	134%
1982	46109	3108	6.7%	84%	110%	8.4%	13	37082	19.5%	33%
1983	50821	3560	7.0%	88%	110%	9.0%	13	39615	10.2%	15%
1984	64584	4648	7.2%	106%	112%	9.5%	18	49173	27.1%	31%
1985	79447	3839	4.8%	109%	135%	5.7%	18	66864	23.0%	-17%

Figure 9.2: Gross Revenue 1981-1985

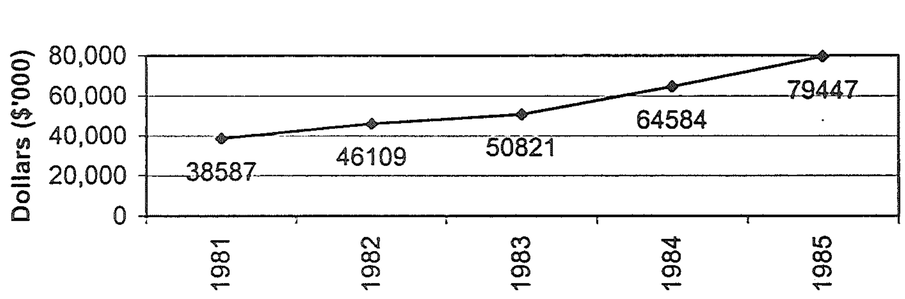
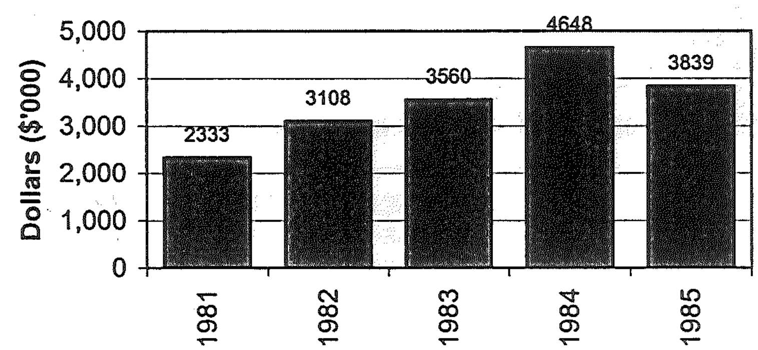


Figure 9.3: Net Profit after Tax 1981-1985



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$000	Gross Revenue	Profit before Dividend & Transfers	Profit as a percentage of Gross Revenue	Debt/ Equity Ratio	Current Assets/ Current Liabilities	Profit/ Assets	Dividends %	Total Assets	Growth in Gross Revenue over last year	Growth in profit over last year
(1985)	79447	3839	4.8%							
1986	91634	2036	2.2%	130%	117%	2.8%	18	73884	15.3%	-47%
1987	93185	6268	6.7%	144%	132%	6.7%	18	93969	1.7%	208%
1988	122907	6562	5.3%	98%	142%	7.4%	18	88309	31.9%	5%
1989	124109	4020	3.2%	77%	126%	4.9%	18	82096	1.0%	-39%
1990	133266	5365	4.0%	70%	121%	6.3%	18	84728	7.4%	33%

Figure 10.2: Gross Revenue 1986-1990

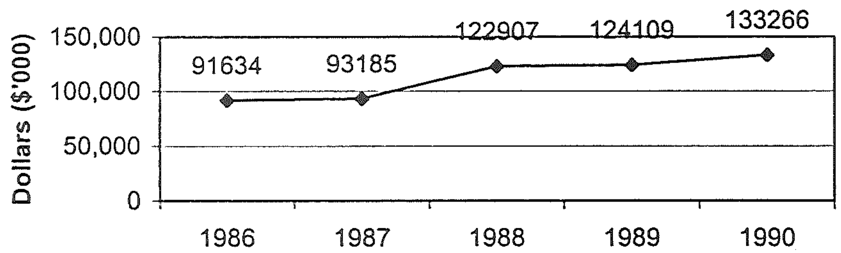
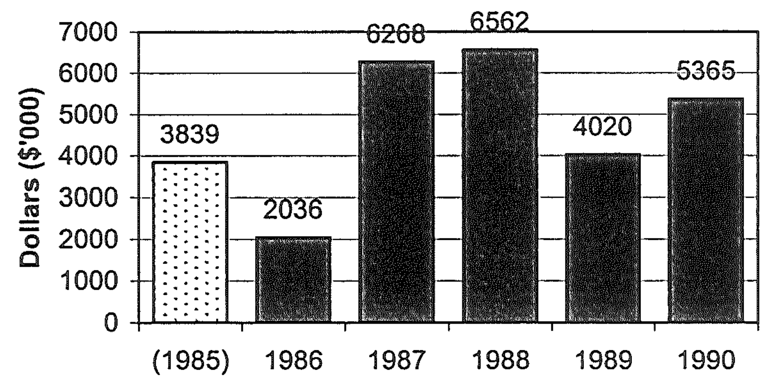


Figure 10.3: Net Profit after Tax 1986-1990



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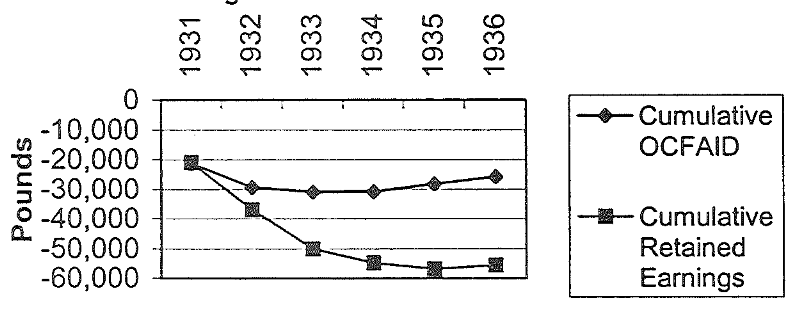
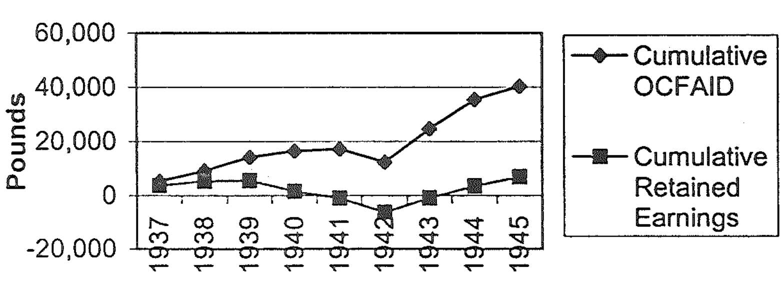
	OCFAID	Investing Cashflow	Financing Cashflow	Ret Earnings + Rsv Acct	Change in this year	less increases from premium on share issue	Cumulative OCFAID	Cumulative Retained Earnings	Cumulative Investing Cashflow	Cumulative Financing Cashflow	OCFAID + Cumulative Investing Cashflow
1931	-21250	1833	18592	-4000	-20945	0	-21250	-20945	1833	18592	-19417
1932	-8148	18126	-7463	-19966	-15966	0	-29398	-36911	19959	11129	-9439
1933	-1575	557	-272	-33065	-13099	0	-30973	-50010	20516	10857	-10457
1934	109	-188	290	-37889	-4824	0	-30864	-54834	20328	11147	-10536
1935	2633	-3728	-379	-40000	-2111	0	-28231	-56945	16600	10768	-11631
1936	2433	-5056	1875	-38700	1300	0	-25798	-55645	11544	12643	-14254

Figure 4.4: OCFAID 1931-1936



	OCFAID	Investing Cashflow	Financing Cashflow	Ret Earnings + Rsv Acct	Change in this year	less increases from premium on share issue	Cumulative OCFAID	Cumulative Retained Earnings	Cumulative Investing Cashflow	Cumulative Financing Cashflow	OCFAID + Cumulative Investing Cashflow
1937	5299	-18076	11951	5858	3751		5299	3751	-18076	11951	-12777
1938	3835	-6354	4559	7399	1541		9134	5292	-24430	16510	-15296
1939	4947	-5084	76	7566	167		14081	5459	-29514	16586	-15433
1940	2340	591	-2556	3705	-3861		16421	1598	-28923	14030	-12502
1941	669	745	-1706	1187	-2518		17090	-920	-28178	12324	-11088
1942	-4836	-524	5455	-4101	-5288		12254	-6208	-28702	17779	-16448
1943	12422	35365	-45583	1246	5347		24676	-861	6663	-27804	31339
1944	10791	-4695	-3457	5639	4393		35467	3532	1968	-31261	37435
1945	4738	-6492	0	8900	3261		40205	6793	-4524	-31261	35681

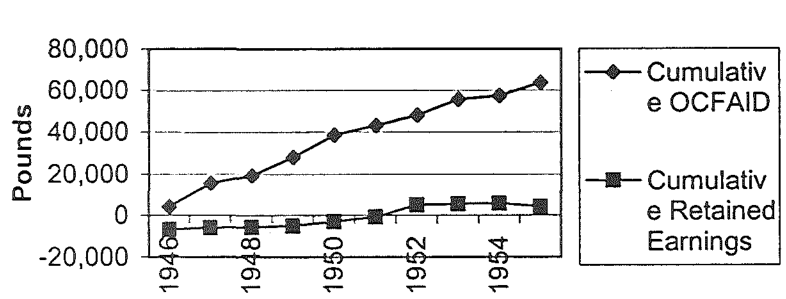
Figure 5.5: OCFAID 1937-1945



cf37.xls
Cash

	OCFAID	Investing Cashflow	Financing Cashflow	Ret Earnings + Rsv Acct	Change in this year	less increases from premium on share issue	Cumulative OCFAID	Cumulative Retained Earnings	Cumulative Investing Cashflow	Cumulative Financing Cashflow	OCFAID + Cumulative Investing Cashflow
1946	4116	-7937	1950	3563	-6787		4116	-6787	-7937	1950	-3821
1947	11483	-16005	-1000	4463	900		15599	-5887	-23942	950	-8343
1948	3676	-4655	625	4748	285		19275	-5602	-28597	1575	-9322
1949	8986	-4972	-1000	5303	555		28261	-5047	-33569	575	-5308
1950	10448	-9011	-500	7338	2035		38709	-3012	-42580	75	-3871
1951	4453	-6279	-500	9507	2169		43162	-843	-48859	-425	-5697
1952	5061	-936	-8000	15293	5786		48223	4943	-49795	-8425	-1572
1953	7427	3912	0	15708	415		55650	5358	-45883	-8425	9767
1954	1732	-13753	4000	16020	312		57382	5670	-59636	-4425	-2254
1955	6395	-7763	0	14532	-1488		63777	4182	-67399	-4425	-3622

Figure 6.4: OCFAID 1946-1955



	OCFAID	Ret Earnings + Rsv Acct	Change in this year	less increases from premium on share issue	Cumulative OCFAID	Cumulative Retained Earnings	Cumulative Investing Cashflow	Cumulative Financing Cashflow	Inverted Cumulative Investing Cashflow
1956	23772	17139	2607		23772	2607	-28605	0	4833
1957	13320	20587	3448		37092	6055	-41250	-1150	4158
1958	-786	19992	-595		36306	5460	-41834	-1150	5528
1959	18859	19432	-560		55165	4900	-56330	-1150	1165
1960	12172	20863	1431		67337	6331	-68563	-1150	1226
1961	17238	23649	2786		84575	9117	-88739	-1150	4164
1962	26714	24204	555		111289	9672	-127640	18260	16351
1963	4167	25809	1605		115456	11277	-132087	14960	16631
1964	26540	28629	2820		141996	14097	-204038	35660	62042
1965	19771	35447	6818		161767	20915	-288779	110023	127012

Figure 7.4: OCFAID 1956-1965

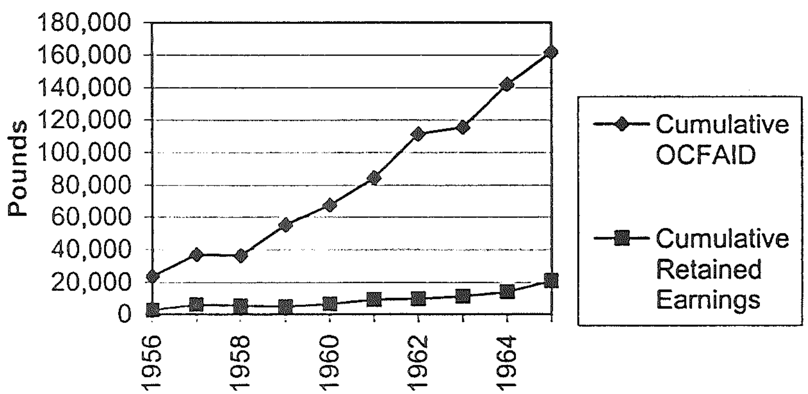
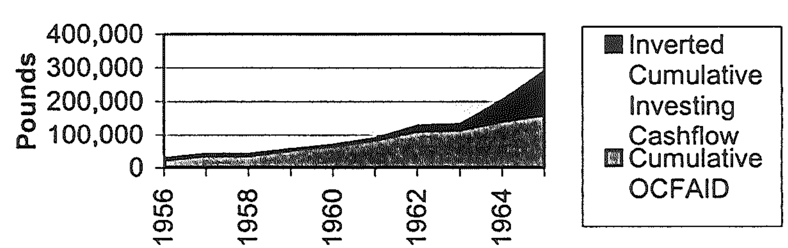


Figure 7.5: Operating and Investing Cash Flows 1956-1965



cf56.xls
Cash

	OCFAID	Ret Earnings + Rsv Acct	Change in this year	less increases from premium on share issue	Cumulative OCFAID	Cumulative Retained Earnings	Cumulative Investing Cashflow	Cumulative Financing Cashflow	OCFAID + Cumulative Investing Cashflow	Inverted Cumulative Investing Cashflow
1966	47649	88826	17932		47.649	17.932	-52.453	5.768	-4.804	4.804
1967	149146	125474	36648		196.795	54.580	-173.569	-18.956	23.226	-23.226
1968	56706	132581	7107		253.501	61.687	-452.118	109.078	-198.617	198.617
1969	270163	215944	83363	49798	523.664	95.252	-1468.873	924.023	-945.209	945.209
1970	343965	619264	403320	69470	867.629	429.102	-2019.545	1242.724	-1151.916	1151.916
1971	441749	676495	57231	129461	1309.378	356.872	-2770.178	1513.978	-1460.8	1460.800
1972	530218	710398	33903	0	1839.596	390.775	-4303.524	2573.829	-2463.928	2463.928
1973	796916	986947	276549	510460	2636.512	156.864	-6483.705	4637.547	-3847.193	3847.193
1974	825385	3010313	2023366	381447	3461.897	1798.783	-8400.524	5876.475	-4938.627	4938.627
1975	1331653	3329916	319603	64727	4793.55	2053.659	-10126.476	5832.326	-5332.926	5332.926
1976	596158	3543642	213726	36000	5389.708	2231.385	-10997.204	6212.106	-5607.496	5607.496
1977	995202	4139154	595512	189823	6384.91	2637.074	-13981.087	7564.256	-7596.177	7596.177
1978	1169218	4730868	591714	71571	7554.128	3157.217	-14081.878	6520.357	-6527.75	6527.750
1979	1093025	5992993	1262125	0	8647.153	4419.342	-14928.148	6142.263	-6280.995	6280.995
1980	81232	6912622	919629	744509	8728.385	4594.462	-16814.372	7757.153	-8085.987	8085.987

Figure 8.4: OCFAID 1966-1980

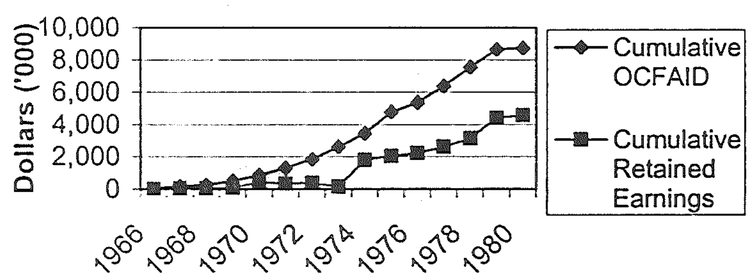
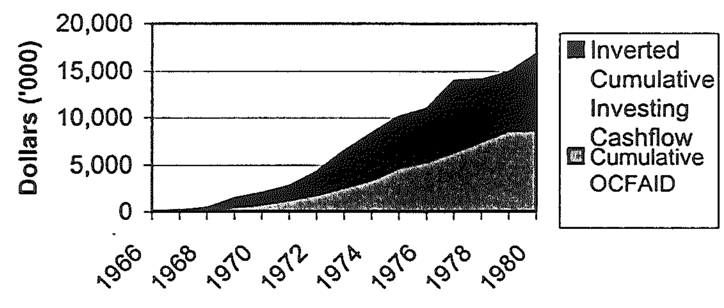


Figure 8.5: Operating and Investing Cash Flows 1966-1980



cf66.xls
Cash

$'000	OCFAID	Investing Cashflow	Financing Cashflow	Ret Earnings + Rsv Acct	Change in this year	less increases from premium on share issue	Cumulative OCFAID	Cumulative Retained Earnings	Cumulative Investing Cashflow	Cumulative Financing Cashflow	Inverted Cumulative Investing Cashflow
1981	2116	-3030	1740	9858	2945		2116	2945	-3030	1740	914
1982	4224	-5303	683	11451	1593		6340	4538	-8333	2423	1993
1983	1841	-3941	366	12341	890		8181	5428	-12274	2789	4093
1984	7281	-9217	42040	15107	2766		15462	8194	-21491	44829	6029
1985	207	-13772	12115	21493	6386		15669	14580	-35263	56944	19594

Figure 9.4: OCFAID 1981-1985

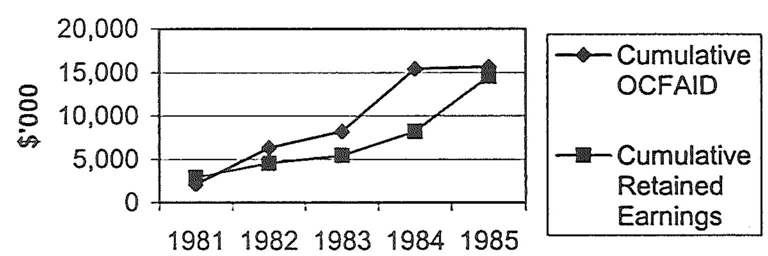
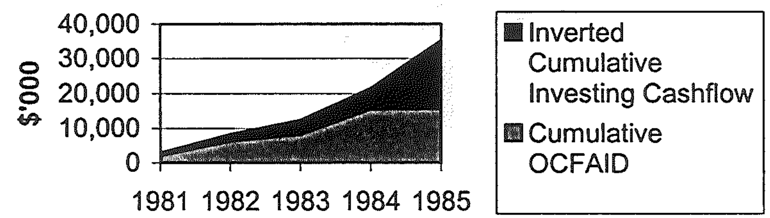


Figure 9.5: Operating and Investing Cash Flows 1981-1985



$'000	OCFAID	Investing Cashflow	Financing Cashflow	Ret Earnings + Rsv Acct	Change in this year	less increases from premium on share issue	Cumulative OCFAID	Cumulative Retained Earnings	Cumulative Investing Cashflow	Cumulative Financing Cashflow	Inverted Cumulative Investing Cashflow
1986	5471	-10639	3970	21671	178		5471	178	-10639	3970	5168
1987	120	-2647	7113	27865	6194		5591	6372	-13286	11083	7695
1988	6498	-5380	-5289	33218	5353		12089	11725	-18666	5794	6577
1989	13339	-224	-10955	33890	672		25428	12397	-18890	-5161	-6538
1990	14036	-1809	-2656	37041	3151		39464	15548	-20699	-7817	-18765

Figure 10.4: OCFAID 1986-1990

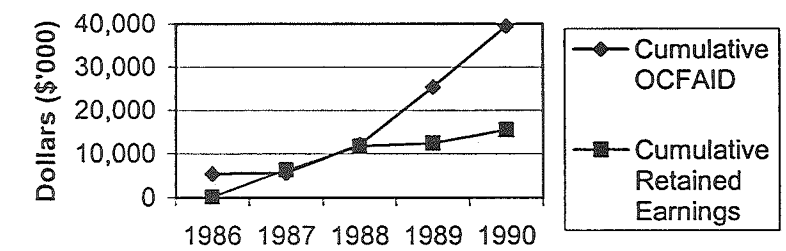
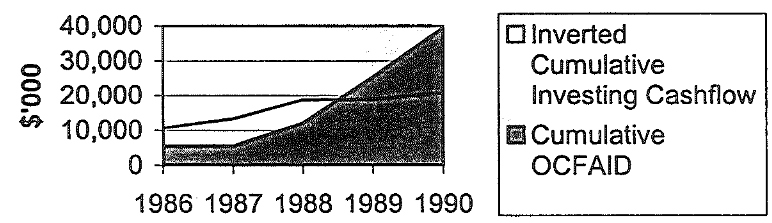


Figure 10.5: Operating and Investing Cash Flows 1986-1990



	1930		1931		Change			Adjustments			Operating		Investing		Financing	
Cash	600		711		111					111						
Stock	4234		5273		1039		op			1039	1039	0				
Debtors	5988		7750		1762		op			1762	1762	0				
Land & Buildings	40122		40871		749		inv			749			749	0		
Plant	53577		51034			2543	inv	3988		1445			3988	2543		
Investments and Shares	24023		19996			4027	inv			-4027			0	4027		
Preliminary expenses	991		2686		1695		op	711		2406	2406	0				
Goodwill	13000		13000			0	inv			0			0	0		
										0						
Paid Up Capital		48000		64406		16406	fin			-16406					0	16406
Calls paid in advance				1446		1446	fin			-1446					0	1446
Reserve Acct		12519		12169	350		nc		350	0						
P&L Appn Acct		4426		-16169	20595		nc		20595	0						
BNZ		108		1044		936				-936						
Creditors		9364		9217	147		op			147	147	0				
Reserve for Income Tax				350		350	nc	350		0						
Debenture		19600		22800		3200	fin			-3200					0	3200
Loans and Mortgages		48518		46058	2460		fin			2460					2460	0
	142535	142535	141321	141321						0						
										0						
P&L										0						
Gross Profit and Takings						38108	op			-38108	0	38108				
Advertising					8412		op			8412	8412	0				
Car maint					11782		op			11782	11782	0				
Electrical, repairs					7795		op			7795	7795	0				
Drivers' Meals, Petrol					11916		op			11916	11916	0				
Greymouth prelim exp					711		op		711	0	711	711				
Shares Tongariro					5300		op			5300	5300	0				
Debentures Tongariro					2070		op			2070	2070	0				
Current a/c Tongariro					4000		op			4000	4000	0				
Depreciation					3988		nc		3988	0						
Prvn Tax							op			0	0	0				
NP trsf to Appn Acct						17866	nc	17866		0						
Dividends paid							op	2729		2729	2729	0				
Operating Cashflow											60069	38819				
Investing Cashflow													4737	6570		
Financing Cashflow															2460	21052
Net					84882	84882					-21250		1833		18592	
Change in Cash Position																
Cash On Hand					111											
BNZ					-936											
					-825					-825						
									0							

P&L Appn Acct incorrectly restated. Difference is 2730 pounds - Dividend paid for 1930 was 2560 pounds
Difference of 170 pounds unknown

	1931		1932		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	40871		40864			7	inv			-7			0	7		
Plant	51034		47580			3454	inv	4149		695			4149	3454		
Cash	711		2182		1471					1471						
Stock	5273		4073			1200	op			-1200	0	1200				
Debtors	7750		2751			4999	op			-4999	0	4999				
Investments and Shares	19996		1182			18814	inv			-18814			0	18814		
Preliminary expenses	2686		2686		0		op			0	0	0				
Goodwill	13000		13000			0	inv			0			0	0		
										0						
Paid Up Capital		64406		76004		11598	fin			-11598					0	11598
Calls paid in advance		1446		265	1181		fin			1181					1181	0
Reserve Acct		12169		12169	0		nc			0						
P&L Appn Acct		-16169		-32135	15966		nc		15966	0						
BNZ		1044			1044					1044						
Creditors		9217		6624	2593		op			2593	2593	0				
Reserve for Income Tax		350		413		63	nc	63		0						
Debenture		22800		22020	780		fin			780					780	0
Loans and Mortgages		46058		28958	17100		fin			17100					17100	0
	141321	141321	114318	114318						0						
										0						
P&L										0						
Gross Profit and Takings						24448	op			-24448	0	24448				
Advertising					6136		op		63	6073	6136	63				
Car maint					9494		op			9494	9494	0				
Electrical, repairs					5275		op			5275	5275	0				
Drivers' Meals, Petrol					9144		op			9144	9144	0				
Brents write down					6216		op			6216	6216	0				
Depreciation					4149		nc		4149	0						
Prvn Tax							op			0	0	0				
NP trsf to Appn Acct						15966	nc	15966		0						
Dividends paid							op			0	0	0				
Operating Cashflow											38858	30710				
Investing Cashflow													4149	22275		
Financing Cashflow															19061	11598
Net					80549	80549					-8148		18126		-7463	
Change in Cash Position																
Cash On Hand					1471											
BNZ					1044											
					2515					2515						
									0							

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	1932		1933		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	40864		39282			1582	inv	7034		5452			7034	1582		
Plant	47580		41683			5897	inv			-5897			0	5897		
Cash	2182		893			1289				-1289						
Stock	4073		3167			906	op			-906	0	906				
Debtors	2751		2482			269	op			-269	0	269				
Investments and Shares	1182		1070			112	inv			-112			0	112		
Preliminary expenses	2686					2686	op	2686		0	2686	2686				
Goodwill	13000		13000			0	inv			0			0	0		
Paid Up Capital		76004		77656		1652	fin			-1652					0	1652
Calls paid in advance		265			265		fin			265					265	0
Reserve Acct		12169			12169		nc		12169	0						
P&L Appn Acct		-32135		-33065	930		nc	12169	13099	0						
BNZ					0					0						
Creditors		6624		7667		1043	op			-1043	0	1043				
Reserve for Income Tax		413			413		op			413	413	0				
Debenture		22020		21060	960		fin			960					960	0
Loans and Mortgages		28958		28259	699		fin			699					699	0
	114318	114318	101577	101577						0						
P&L																
Gross Profit an Takings						22095	op			-22095	0	22095				
Advertising					4913		op			4913	4913	0				
Car maint					8232		op			8232	8232	0				
Electrical, repairs					4570		op			4570	4570	0				
Drivers' Meals, Petrol					7340		op			7340	7340	0				
Depreciation					7034		nc		7034	0						
Prelim exp					2686		op		2686	0	2686	2686				
Loss on sale of properties					420		op			420	420	0				
NP trsf to Appn Acct						13099	nc	13099		0						
Dividends paid							op			0	0	0				
Operating Cashflow											31260	29685				
Investing Cashflow													7034	7591		
Financing Cashflow															1924	1652
Net					50631	50630					-1575		557		-272	
Change in Cash Position																
Cash On Hand					-1289											
BNZ					0											
					-1289					-1290						
									-1							

Reserve for Income Tax reduced operating cash flow. Depletion assumes payment of tax.

	1933		1934		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	39282		38834			448	inv			-448			0	448		
Plant	41683		38202			3481	inv	3942		461			3942	3481		
Cash	893		1104		211					211						
Stock	3167		2710			457	op			-457	0	457				
Debtors	2482		1816			666	op			-666	0	666				
Advances to Directors			538		538		op			538	538	0				
Investments and Shares	1070		1245		175		inv			175			175	0		
Goodwill	13000		13000			0	inv			0			0	0		
Paid Up Capital		77656		78310		654	fin			-654					0	654
P&L Appn Acct		-33066		-37889	4823		nc		4823	0						
BNZ					0					0						
Creditors		7668		8073		405	op			-405	0	405				
Debenture		21060		20696	364		fin			364					364	0
Loans and Mortgages		28259		28259	0		fin			0					0	0
	101577	101577	97449	97449						0						
P&L																
Gross Profit and Takings						23933	op			-23933	0	23933				
Advertising					3908		op			3908	3908	0				
Car maint					8460		op			8460	8460	0				
Electrical, repairs					4691		op			4691	4691	0				
Drivers' Meals, Petrol					7755		op			7755	7755	0				
Depreciation					3942		nc		3942	0						
Prelim exp							op			0	0	0				
Loss on sale of properties							op			0	0	0				
NP trsf to Appn Acct						4823	nc	4823		0						
Dividends paid							op			0	0	0				
Operating Cashflow											25352	25461				
Investing Cashflow													4117	3929		
Financing Cashflow															364	654
Net					34867	34867					109		-188		290	
Change in Cash Position																
Cash On Hand					211											
BNZ					0											
					211					211						
									0							

600 pounds debentures issued in lieu of undrawn salaries.
No adjustment made.

	1934		1935		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	38834		38449			385	inv			-385			0	385		
Plant	38202		37971			231	inv	4144		3913			4144	231		
Cash	1104		562			542				-542						
Stock	2710		3491		781		op			781	781	0				
Debtors	1816		3194		1378		op			1378	1378	0				
Advances to Directors	538		369			169	op			-169	0	169				
Investments and Shares	1245		1175			70	inv	70		0			70	70		
Goodwill	13000		13200		200		inv			200			200	0		
Paid Up Capital		78310		78414		104	fin		60	-164					0	164
Forfeited Share Reserve				60		60	fin	60		0					60	60
P&L Appn Acct		-37889		-40000	2111		nc		2112	-1						
BNZ				931		931				-931						
Creditors		8073		10594		2521	op			-2521	0	2521				
Debenture		20696		20153	543		fin			543					543	0
Loans and Mortgages		28259		28259	0		fin			0					0	0
	97449	97449	98411	98411						0						
P&L																
Gross Profit and Takings						30540	op			-30540	0	30540				
Advertising					5408		op			5408	5408	0				
Car maint					9532		op			9532	9532	0				
Electrical, repairs					5335		op			5335	5335	0				
Drivers' Meals, Petrol					8163		op			8163	8163	0				
Depreciation					4144		nc		4144	0						
White Star shares written off					70		nc		70	0						
NP trsf to Appn Acct						2112	nc	2112		0						
Dividends paid							op			0	0	0				
Operating Cashflow											30597	33230				
Investing Cashflow													4414	686		
Financing Cashflow															603	224
Net					37665	37665					2633		-3728		-379	
Change in Cash Position																
Cash On Hand					-542											
BNZ					-931											
					-1473					-1474						
									-1							

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	1935		1936		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	38449		38237			212	inv			-212			0	212		
Plant	37971		38935		964		inv	3810	1912	2862			4774	1912		
Investments and Shares	1175		1175			0	inv			0			0	0		
Stock	3491		3320			171	op			-171	0	171				
Debtors	3194		3647		453		op			453	453	0				
Advances to Directors	369		296			73	op			-73	0	73				
Cash	562		395			167				-167						
Goodwill	13200		15606		2406		inv			2406			2406	0		
Paid Up Capital		78414		80429		2015	fin	1912		-103					1912	2015
Forfeited Share Reserve		60		60		0	fin			0					0	0
P&L Appn Acct		-40000		-38700		1300	nc	1300		0						
BNZ		931		1512		581				-581						
Creditors		10594		8126	2468		op			2468	2468	0				
Debenture		20153		19690	463		fin			463					463	0
Loans and Mortgages		28259		30494		2235	fin			-2235					0	2235
	98411	98411	101611	101611						0						
P&L																
Gross Profit and Takings						35754	op			-35754	0	35754				
Advertising					5199		op			5199	5199	0				
Car maint					8920		op			8920	8920	0				
Electrical, repairs					6332		op			6332	6332	0				
Drivers' Meals, Petrol					10193		op			10193	10193	0				
Depreciation					3810		nc		3810	0						
NP trsf to Appn Acct					1300		nc		1300	0						
Dividends paid							op			0	0	0				
Operating Cashflow											33565	35998				
Investing Cashflow													7180	2124		
Financing Cashflow															2375	4250
Net					42508	42508					2433		-5056		1875	
Change in Cash Position																
Cash On Hand					-167											
BNZ					-581											
					-748					-748						
									0							

1912 shares issued to acquire Lumsden Tourist Services.

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	1936		1937		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	38237		52763		14526		inv	750		15276			15276	0		
Plant	38935		39625		690		inv	6907	2920	4677			7597	2920		
Investments and Shares	1175		1704		529		inv			529			529	0		
Stock	3320		4080		760		op			760	760	0				
Debtors	3647		3114			533	op			-533	0	533				
Advances to Directors	296		248			48	op			-48	0	48				
Cash	395		82			313				-313						
Goodwill	15606		13200			2406	inv			-2406			0	2406		
Paid Up Capital		80429		39665	40764		fin		40887	-123					40764	40887
Forfeited Share Reserve		60		140		80	fin	80		0					80	80
Reserve				1776		1776	nc	5026	3250	0						
P&L Appn Acct		-38700		4082		42782	nc	42782		0						
BNZ		1512		2025		513				-513						
Creditors		8126		5116	3010		op			3010	3010	0				
Debenture		19690		22460		2770	fin			-2770					0	2770
Loans and Mortgages		30494		39552		9058	fin			-9058					0	9058
	101611	101611	114816	114816						0						
P&L																
Gross Profits and Takings						43646	op			-43646	0	43646				
Remission of Rent Hermitage						2000	op			-2000	0	2000				
Profit on Sale of Lumsden service						2920	nc	2920		0						
Advertising					7035		op			7035	7035	0				
Car maint					8993		op			8993	8993	0				
Electrical, repairs					8544		op			8544	8544	0				
Drivers' Meals, Petrol					12586		op			12586	12586	0				
Depreciation					4407		nc		4407	0						
Transfer to Reserve					5026		nc		5026	0						
NP trsf to Appn Acct						-1975	nc		1975	0						
Operating Cashflow											40928	46227				
Investing Cashflow													23402	5326		
Financing Cashflow															40844	52795
Net					106870	106870					5299		-18076		11951	
					0											
Change in Cash Position																
Cash On Hand					-313											
BNZ					-513											
					-826					-826						
									0							

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	1937		1938		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	52763		53099		336		inv	811		1147			1147	0		
Plant	39625		41558		1933		inv	3853		5786			5786	0		
Investments and Shares	1704		1125			579	inv			-579			0	579		
Stock	4080		3849			231	op			-231	0	231				
Debtors	3114		3624		510		op			510	510	0				
Advances to Directors	248		144			104	op			-104	0	104				
Cash	82		96		14					14						
Goodwill	13200		13200			0	inv			0			0	0		
Paid Up Capital		39665		39665	0		fin			0					0	0
Forfeited Share Reserve		140		140		0	fin			0					0	0
Reserve		1776		1776		0	nc			0						
P&L Appn Acct		4082		5623		1541	nc	1542		1						
BNZ		2025			2025					2025						
Creditors		5116		2920	2196		op			2196	2196	0				
Debenture		22460		10400	12060		fin			12060					12060	0
Bills Payable				2802		2802	fin			-2802					0	2802
Loans and Mortgages		39552		53369		13817	fin			-13817					0	13817
	114816	114816	116695	116695						0						
P&L																
Gross Profits and Takings						50828	op			-50828	0	50828				
Advertising					8900		op			8900	8900	0				
Car maint					10868		op			10868	10868	0				
Electrical, repairs					8947		op			8947	8947	0				
Drivers' Meals, Petrol					15907		op			15907	15907	0				
Depreciation					4664		nc		4664	0						
NP trsf to Appn Acct					1542		nc		1542	0						
Operating Cashflow											47328	51163				
Investing Cashflow													6933	579		
Financing Cashflow															12060	16619
Net					69902	69902					3835		-6354		4559	
Change in Cash Position																
Cash On Hand					14											
BNZ					2025											
					2039					2040						
									1							

	1938		1939		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	53099		53158		59		inv	819		878			878	0		
Plant	41558		42245		687		inv	3518		4205			4205	0		
Investments and Shares	1125		1126		1		inv			1			1	0		
Aero Licence			75		75				75	0						
Stock	3849		4069		220		op			220	220	0				
Debtors	3624		3577			47	op			-47	0	47				
Advances to Directors	144		116			28	op			-28	0	28				
Cash	96		36			60				-60						
Goodwill	13200		13200			0	inv			0			0	0		
Paid Up Capital		39665		39665	0		fin			0					0	0
Forfeited Share Reserve		140		140		0	fin			0					0	0
General Reserve		1776		3500		1724	nc	1724		0						
P&L Appn Acct		5623		4066	1557		nc	416	1974	-1						
Income Tax Reserve				250		250	nc	250		0						
BNZ						0				0						
Creditors		2920		3334		414	op			-414	0	414				
Debenture		10400		10400		0	fin			0					0	0
Bills Payable		2802		2396	406		fin			406					406	0
Loans and Mortgages		53369		53851		482	fin			-482					0	482
	116695	116695	117602	117602						0						
P&L																
Gross Profits and Takings						51400	op			-51400	0	51400				
Advertising					6235		op			6235	6235	0				
Car maint					13769		op			13769	13769	0				
Electrical, repairs					8797		op			8797	8797	0				
Drivers' Meals, Petrol					17846		op	75		17921	17921	0				
Depreciation					4337		nc		4337	0						
NP trsf to Appn Acct					416		nc		416	0						
Operating Cashflow											46942	51889				
Investing Cashflow													5084	0		
Financing Cashflow															406	482
Net					54405	54405					4947		-5084		76	
Change in Cash Position																
Cash On Hand					-60											
BNZ					0											
					-60					-61						
									-1							

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	1939		1940		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	53158		51900			1258	inv	803		-455			803	1258		
Plant	42245		39115			3130	inv	3469		339			3469	3130		
Investments and Shares	1126		746			380	inv		95	-475			0	475		
Aero Licence	75					75		75		0						
Stock	4069		3940			129	op			-129	0	129				
Debtors	3577		3237			340	op			-340	0	340				
Advances to Directors	116		85			31	op			-31	0	31				
Cash	36		411		375					375						
Goodwill	13200		13200			0	inv			0			0	0		
Paid Up Capital		39665		39665	0		fin			0					0	0
Forfeited Share Reserve		140		140		0	fin			0					0	0
General Reserve		3500		3500		0	nc			0						
P&L Appn Acct		4066		205	3861		nc	95	3956	0						
Income Tax Reserve		250		250		0	nc			0						
BNZ						0				0						
Creditors		3334		4783		1449	op			-1449	0	1449				
Debenture		10400		10335	65		fin			65					65	0
Bills Payable		2396		1123	1273		fin			1273					1273	0
Loans and Mortgages		53851		52633	1218		fin			1218					1218	0
	117602	117602	112634	112634						0						
P&L																
Gross Profits and Takings						41742	op			-41742	0	41742				
Advertising					4558		op			4558	4558	0				
Car maint					12302		op			12302	12302	0				
Electrical, repairs					8010		op			8010	8010	0				
Drivers' Meals, Petrol					16556		op		75	16481	16556	75				
Depreciation					4272		nc		4272	0						
NP trsf to Appn Acct						3956	nc	3956		0						
Operating Cashflow											41426	43766				
Investing Cashflow													4272	4863		
Financing Cashflow															2556	0
Net					52490	52490					2340		591		-2556	
Change in Cash Position																
Cash On Hand					375											
BNZ					0											
					375					375						
									0							

	1940		1941		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	51900		51282			618	inv	790		172			790	618		
Plant	39115		35300			3815	inv	2908		-907			2908	3815		
Investments and Shares	746		696			50	inv			-50			0	50		
NZ Government War Loan			40		40		inv			40			40	0		
Stock	3940		4289		349		op			349	349	0				
Debtors	3237		3645		408		op			408	408	0				
Advances to Directors	85		54			31	op			-31	0	31				
Cash	411		119			292				-292						
Goodwill	13200		13200			0	inv			0			0	0		
Paid Up Capital		39665		39665	0		fin			0					0	0
Forfeited Share Reserve		140		140		0	fin			0					0	0
General Reserve		3500		1187	2313		nc		2313	0						
P&L Appn Acct		205			205		nc	2313	2518	0						
Income Tax Reserve		250		250		0	nc			0						
BNZ						0				0						
Creditors		4783		4998		215	op			-215	0	215				
Debenture		10335		10298	37		fin			37					37	0
Bills Payable		1123		428	695		fin			695					695	0
Loans and Mortgages		52633		51659	974		fin			974					974	0
	112634	112634	108625	108625						0						
P&L																
Gross Profits and Takings						40048	op			-40048	0	40048				
Advertising					3758		op			3758	3758	0				
Car maint					12967		op			12967	12967	0				
Electrical, repairs					7096		op			7096	7096	0				
Drivers' Meals, Petrol					14997		op			14997	14997	0				
Directors' Fees					50		op			50	50	0				
Depreciation					3698		nc		3698	0						
NP trsf to Appn Acct						2518	nc	2518		0						
Operating Cashflow											39625	40294				
Investing Cashflow													3738	4483		
Financing Cashflow															1706	0
Net					47587	47587					669		745		-1706	
Change in Cash Position																
Cash On Hand					-292											
BNZ					0											
					-292					-292						
									0							

	1941		1942		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	51282		51147			135	inv	581		446			581	135		
Plant	35300		33862			1438	inv	1415		-23			1415	1438		
Investments and Shares	696		797		101		inv			101			101	0		
NZ Government War Loan	40		40		0		inv			0			0	0		
Stock	4289		4265			24	op			-24	0	24				
Debtors	3645		2464			1181	op			-1181	0	1181				
Advances to Directors	54					54	op			-54	0	54				
Cash	119		214		95					95						
Goodwill	13200		13200			0	inv			0			0	0		
Paid Up Capital		39665		39665	0		fin			0					0	0
Forfeited Share Reserve		140		140		0	fin			0					0	0
General Reserve		1187			1187		nc		1187	0						
P&L Appn Acct				-4101	4101		nc	1187	5288	0						
Income Tax Reserve		250		250		0	nc			0						
BNZ						0				0						
Creditors		4998		2195	2803		op			2803	2803	0				
Debenture		10298		10192	106		fin			106					106	0
Bills Payable		428			428		fin			428					428	0
Loans and Advances		15400		20997		5597	fin			-5597					0	5597
Mortgages		36259		36259	0		fin			0					0	0
QBC Loan				392		392	fin			-392					0	392
	108625	108625	105989	105989						0						
P&L																
Gross Profits and Takings						36777	op			-36777	0	36777				
Advertising					3875		op			3875	3875	0				
Car maint					13478		op			13478	13478	0				
Electrical, repairs					6747		op			6747	6747	0				
Drivers' Meals, Petrol					15969		op			15969	15969	0				
Directors' Fees							op			0	0	0				
Depreciation					1996		nc		1996	0						
NP trsf to Appn Acct						5288	nc	5288		0						
Operating Cashflow											42872	38036				
Investing Cashflow													2097	1573		
Financing Cashflow															534	5989
Net					50886	50886					-4836		-524		5455	
Change in Cash Position																
Cash On Hand					95											
BNZ					0											
					95					95						
									0							

	1942		1943		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	51147		36808			14339	inv	616		-13723			616	14339		
Plant	33862		10747			23115	inv	1393		-21722			1393	23115		
Investments and Shares	797		677			120	inv			-120			0	120		
NZ Government War Loan	40		240		200		inv			200			200	0		
Stock	4265		4260			5	op			-5	0	5				
Debtors	2464		3029		565		op			565	565	0				
Cash	214		2419		2205					2205						
Goodwill	13200		8200			5000	inv	5000		0			5000	5000		
Paid Up Capital		39665		39665	0		fin			0					0	0
Forfeited Share Reserve		140		140		0	fin			0					0	0
General Reserve					0		nc			0						
P&L Appn Acct		-4101		1246		5347	nc	5346		-1						
Income Tax Reserve		250		250		0	nc			0						
BNZ						0				0						
Creditors		2195		2822		627	op			-627	0	627				
Debenture		10192		6100	4092		fin			4092					4092	0
Loans and Advances		20997			20997		fin			20997					20997	0
Mortgages		36259		15800	20459		fin			20459					20459	0
QBC Loan		392		357	35		fin			35					35	0
	105989	105989	66380	66380						0						
P&L																
Gross Profits and Takings						26341	op			-26341	0	26341				
Gain on Hermitage Realization						2718	op		5000	-7718	0	7718				
Advertising					2435		op			2435	2435	0				
Car maint					7662		op			7662	7662	0				
Electrical, repairs					2981		op			2981	2981	0				
Drivers' Meals, Petrol					8601		op			8601	8601	0				
Directors' Fees					25		op			25	25	0				
Depreciation					2009		nc		2009	0						
NP trsf to Appn Acct					5346		nc		5346	0						
Operating Cashflow											22269	34691				
Investing Cashflow													7209	42574		
Financing Cashflow															45583	0
Net					77612	77612					12422		35365		-45583	
Change in Cash Position																
Cash On Hand					2205											
BNZ					0											
					2205					2204						
									-1							

5000 goodwill from Hermitage transferred out with assets.

	1943		1944		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	36808		36860		52		inv	640		692			692	0		
Plant	10747		9672			1075	inv	1310		235			1310	1075		
Investments and Shares	677		685		8		inv			8			8	0		
NZ Government War Loan	240		4000		3760		inv			3760			3760	0		
Stock	4260		1669			2591	op			-2591	0	2591				
Debtors	3029		1921			1108	op			-1108	0	1108				
Cash	2419		5058		2639					2639						
Goodwill	8200		8200			0	inv			0			0	0		
Paid Up Capital		39665		39665	0		fin			0					0	0
Forfeited Share Reserve		140		140		0	fin			0					0	0
P&L Appn Acct		1246		5639		4393	nc	4393		0						
Income Tax Reserve		250		250		0	nc			0						
BNZ						0				0						
Creditors		2822		3571		749	op			-749	0	749				
Debenture		6100		4000	2100		fin			2100					2100	0
Mortgages		15800		14800	1000		fin			1000					1000	0
QBC Loan		357			357		fin			357					357	0
	66380	66380	68065	68065						0						
P&L																
Gross Profits and Takings						33568	op			-33568	0	33568				
Advertising					2258		op			2258	2258	0				
Car maint					10388		op			10388	10388	0				
Electrical, repairs					3521		op			3521	3521	0				
Drivers' Meals, Petrol					11033		op			11033	11033	0				
Directors' Fees					25		op			25	25	0				
Depreciation					1950		nc		1950	0						
NP trsf to Appn Acct					4393		nc		4393	0						
Operating Cashflow											27225	38016				
Investing Cashflow													5770	1075		
Financing Cashflow															3457	0
Net					43484	43484					10791		-4695		-3457	
Change in Cash Position																
Cash On Hand					2639											
BNZ					0											
					2639					2639						
									0							

	1944		1945		Change			Adjustments			Operating		Investing		Financing	
Land & Buildings	36860		28075			8785	inv	429		-8356			429	8785		
Plant	9672		13275		3603		inv	2524		6127			6127	0		
Investments and Shares	685		685		0		inv			0			0	0		
NZ Government War Loan	4000		4000		0		inv			0			0	0		
Mortgage			7750		7750		inv			7750			7750	0		
Stock	1669		1362			307	op			-307	0	307				
Debtors	1921		6081		4160		op			4160	4160	0				
Cash	5058		3301			1757				-1757						
Goodwill	8200		8200			0	inv			0			0	0		
Paid Up Capital		39665		39665	0		fin			0					0	0
Forfeited Share Reserve		140		140		0	fin			0					0	0
P&L Appn Acct		5639		8900		3261	nc	3264		3						
Income Tax Reserve		250		1450		1200	nc	1200		0						
BNZ						0				0						
Creditors		3571		3774		203	op			-203	0	203				
Debenture		4000		4000	0		fin			0					0	0
Mortgages		14800		14800	0		fin			0					0	0
	68065	68065	72729	72729						0						
P&L																
Gross Profits and Takings						37680	op			-37680	0	37680				
Advertising					2460		op			2460	2460	0				
Car maint					13839		op			13839	13839	0				
Electrical, repairs					2295		op			2295	2295	0				
Drivers' Meals, Petrol					9681		op			9681	9681	0				
Directors' Fees					25		op			25	25	0				
Depreciation					2953		nc		2953	0						
Transfer to Tax Reserve					1200		nc		1200	0						
Dividend					992		op			992	992	0				
Loss on Sale White Star Hotel					971		inv			971			971	0		
NP trsf to Appn Acct					3264		nc		3264	0						
Operating Cashflow											33452	38190				
Investing Cashflow													15277	8785		
Financing Cashflow															0	0
Net					53193	53193					4738		-6492		0	
Change in Cash Position																
Cash On Hand					-1757											
BNZ					0											
					-1757					-1754						
									3							

	1945		1946		Change			Adjustments			Operating		Investing		Financing	
Cash	3301		1433			1868				-1868						
Debtors	6081		8348		2267		op			2267	2267	0				
Stock	1362		1543		181		op			181	181	0				
NZ Government War Loan	4000		4500		500		inv			500			500	0		
Investments and Shares	685		1216		531		inv			531			531	0		
Mortgage	7750		6750			1000	inv			-1000			0	1000		
Plant Furn Fittings	13275		14692		1417		inv	2913		4330			4330	0		
Land & Buildings	28075		31209		3134		inv	442		3576			3576	0		
Goodwill	8200		4000			4200	inv	4200		0			4200	4200		
BNZ						0				0						
Creditors		3774		4770		996	op			-996	0	996				
Provision for Income Tax		1450		2960		1510	nc	1510		0						
Provision for Dividend				1983		1983	nc	1983		0						
Debenture		4000		4000	0		fin			0					0	0
Mortgages		14800		16750		1950	fin			-1950					0	1950
Paid Up Capital		39665		39665	0		fin			0					0	0
Forfeited Share Reserve		140			140		fin		140	0					140	140
P&L Appn Acct		8900		3563	5337		nc		5340	-3						
	72729	72729	73691	73691						0						
P&L																
Gross Returns and Takings						46956	op			-46956	0	46956				
Advertising					2549		op			2549	2549	0				
Car maint					17001		op			17001	17001	0				
Electrical, repairs					2595		op			2595	2595	0				
Drivers' Meals, Petrol					15873		op			15873	15873	0				
Directors' Fees					25		op			25	25	0				
Depreciation					3355		nc		3355	0						
Tax expense					2872		op		1510	1362	2872	1510				
Dividend					1983		op			1983	1983	0				
Write off Goodwill					4060		nc		4060	0						
NP trsf to Appn Acct						3357	nc	3357		0						
Operating Cashflow											45346	49462				
Investing Cashflow													13137	5200		
Financing Cashflow															140	2090
Net					63820	63820					4116		-7937		1950	
Change in Cash Position																
Cash On Hand					-1868											
BNZ					0											
					-1868					-1871						
									-3							

	1946		1947		Change			Adjustments			Operating		Investing		Financing	
Cash	1433		110			1323				-1323						
Debtors	8348		6178			2170	op			-2170	0	2170				
Stock	1543		1099			444	op			-444	0	444				
NZ Government War Loan	4500		4500		0		inv			0			0	0		
Investments and Shares	1216		30			1186	inv		464	-1650			0	1650		
Mortgage	6750		6750			0	inv			0			0	0		
Plant Furn Fittings	14692		28238		13546		inv	3970		17516			17516	0		
Land & Buildings	31209		30854			355	inv	494		139			494	355		
Goodwill	4000		4000			0	inv			0			0	0		
BNZ				4200		4200				-4200						
Creditors		4770		10401		5631	op			-5631	0	5631				
Provision for Income Tax		2960		1297	1663		nc		1663	0						
Provision for Dividend		1983		1983		0	nc			0						
Debenture		4000		3000	1000		fin			1000					1000	0
Mortgages		16750		16750		0	fin			0					0	0
Paid Up Capital		39665		39665	0		fin			0					0	0
General Reserve				464		464	nc	464		0						
P&L Appn Acct		3563		3999		436	nc	436		0						
	73691	73691	81759	81759						0						
P&L																
Gross Returns and Takings						54168	op			-54168	0	54168				
Advertising					3377		op			3377	3377	0				
Car maint					20329		op			20329	20329	0				
Electrical, repairs					3079		op			3079	3079	0				
Drivers' Meals, Petrol					18919		op			18919	18919	0				
Directors' Fees					400		op			400	400	0				
Depreciation					4465		nc		4465	0						
Tax expense					1180		op	1663		2843	2843	0				
Dividend					1983		op			1983	1983	0				
NP trsf to Appn Acct					436		nc		436	0						
Operating Cashflow											50930	62413				
Investing Cashflow													18010	2005		
Financing Cashflow															1000	0
Net					70377	70377					11483		-16005		-1000	
Change in Cash Position																
Cash On Hand					-1323											
BNZ					-4200											
					-5523					-5522						
									1							

General Reserve from profit on investment realised. (*Annual Report*, 1947)

	1947		1948		Change			Adjustments			Operating		Investing		Financing	
Cash	110		260		150					150						
Debtors	6178		7739		1561		op			1561	1561	0				
Stock	1099		1966		867		op			867	867	0				
NZ Government War Loan	4500		4500		0		inv			0			0	0		
Investments and Shares	30		30			0	inv			0			0	0		
Mortgage	6750		5750			1000	inv			-1000			0	1000		
Plant Furn Fittings	28238		26895			1343	inv	6998		5655			6998	1343		
Land & Buildings	30854		30360			494	inv	494		0			494	494		
Goodwill	4000		4000			0	inv			0			0	0		
BNZ		4200		4704		504				-504						
Creditors		10401		7081	3320		op			3320	3320	0				
Provision for Income Tax		1297		2510		1213	nc	1213		0						
Provision for Dividend		1983		2417		434	nc	434		0						
Debenture		3000		3000	0		fin			0					0	0
Mortgages		16750		16750		0	fin			0					0	0
Paid Up Capital		39665		40290		625	fin			-625					0	625
General Reserve		464		464		0	nc			0						
P&L Appn Acct		3999		4284		285	nc	285		0						
	81759	81759	81500	81500						0						
P&L																
Gross Returns and Takings						76104	op			-76104	0	76104				
Advertising					4522		op			4522	4522	0				
Car maint					29393		op			29393	29393	0				
Electrical, repairs					3864		op			3864	3864	0				
Drivers' Meals, Petrol					25371		op			25371	25371	0				
Directors' Fees					250		op			250	250	0				
Depreciation					7492		nc		7492	0						
Tax expense					2510		op		1213	1297	2510	1213				
Dividend					2417		op		434	1983	2417	434				
NP trsf to Appn Acct					285		nc		285	0						
Operating Cashflow											74075	77751				
Investing Cashflow													7492	2837		
Financing Cashflow															0	625
Net					82002	82002					3676		-4655		625	
Change in Cash Position																
Cash On Hand					150											
BNZ					-504											
					-354					-354						
									0							

	1948		1949		Change			Adjustments			Operating		Investing		Financing	
Cash	260		310		50					50						
Debtors	7739		8073		334		op			334	334	0				
Stock	1966		2615		649		op			649	649	0				
NZ Government War Loan	4500		4500		0		inv			0			0	0		
Investments and Shares	30		30			0	inv			0			0	0		
Mortgage	5750		5750			0	inv			0			0	0		
Plant Furn Fittings	26895		25114			1781	inv	6358		4577			6358	1781		
Land & Buildings	30360		30261			99	inv	494		395			494	99		
Goodwill	4000		4000			0	inv			0			0	0		
BNZ		4704		1740	2964					2964						
Creditors		7081		8814		1733	op			-1733	0	1733				
Provision for Income Tax		2510		3339		829	nc	829		0						
Provision for Dividend		2417		2417		0	nc			0						
Debenture		3000		2000	1000		fin			1000					1000	0
Mortgages		16750		16750		0	fin			0					0	0
Paid Up Capital		40290		40290		0	fin			0					0	0
General Reserve		464		3500		3036	nc	3036		0						
P&L Appn Acct		4284		1803	2481		nc	555	3036	0						
	81500	81500	80653	80653						0						
P&L																
Gross Returns and Takings						79002	op			-79002	0	79002				
Advertising					4319		op			4319	4319	0				
Car maint					28737		op			28737	28737	0				
Electrical, repairs					4101		op			4101	4101	0				
Drivers' Meals, Petrol					28476		op			28476	28476	0				
Directors' Fees					250		op			250	250	0				
Depreciation					6852		nc		6852	0						
Tax expense					3295		op		829	2466	3295	829				
Dividend					2417		op			2417	2417	0				
NP trsf to Appn Acct					555		nc		555	0						
Operating Cashflow											72578	81564				
Investing Cashflow													6852	1880		
Financing Cashflow															1000	0
Net					86480	86480					8986		-4972		-1000	
Change in Cash Position																
Cash On Hand					50											
BNZ					2964											
					3014					3014						
									0							

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	1949		1950		Change			Adjustments			Operating		Investing		Financing	
Cash	310		310		0					0						
Debtors	8073		6169			1904	op			-1904	0	1904				
Stock	2615		1806			809	op			-809	0	809				
NZ Government War Loan	4500		4500		0		inv			0			0	0		
Investments and Shares	30		30			0	inv			0			0	0		
Mortgage	5750		4750			1000	inv			-1000			0	1000		
Plant Furn Fittings	25114		30019		4905		inv	6179	1386	9698			11084	1386		
Land & Buildings	30261		30062			199	inv	512		313			512	199		
Goodwill	4000		4000			0	inv			0			0	0		
BNZ		1740		803	937					937						
Creditors		8814		8273	541		op			541	541	0				
Provision for Income Tax		3339		4275		936	nc	936		0						
Provision for Dividend		2417		2417		0	nc			0						
Debenture		2000		2000	0		fin			0					0	0
Mortgages		16750		16250	500		fin			500					500	0
Paid Up Capital		40290		40290		0	fin			0					0	0
General Reserve		3500		5500		2000	nc	2000		0						
P&L Appn Acct		1803		1838		35	nc	649	614	0						
	80653	80653	81646	81646						0						
P&L																
Gross Returns and Takings						89246	op			-89246	0	89246				
Advertising					5882		op			5882	5882	0				
Car maint					31107		op			31107	31107	0				
Electrical, repairs					4860		op			4860	4860	0				
Drivers' Meals, Petrol					32805		op			32805	32805	0				
Directors' Fees					375		op			375	375	0				
Depreciation					6691		nc		6691	0						
Tax expense					4460		op		936	3524	4460	936				
Dividend					2417		op			2417	2417	0				
NP trsf to Appn Acct					649		nc		649	0						
Operating Cashflow											82447	92895				
Investing Cashflow													11596	2585		
Financing Cashflow															500	0
Net					96129	96129					10448		-9011		-500	

Change in Cash Position			
Cash On Hand	0		
BNZ	937		
	937		937
		0	

"1386 capital profit on plant." (Annual Report, 1950.)

	1950		1951		Change			Adjustments			Operating		Investing		Financing	
Cash	310		510		200					200						
Debtors	6169		9654		3485		op			3485	3485	0				
Stock	1806		1848		42		op			42	42	0				
NZ Government War Loan	4500		4500		0		inv			0			0	0		
Investments and Shares	30		55		25		inv			25			25	0		
Mortgage	4750		4250			500	inv			-500			0	500		
Plant Furn Fittings	30019		32453		2434		inv	6120	1800	6754			8554	1800		
Land & Buildings	30062		29550			512	inv	512		0			512	512		
Goodwill	4000		4000			0	inv			0			0	0		
BNZ		803		3329		2526				-2526						
Creditors		8273		10756		2483	op			-2483	0	2483				
Provision for Income Tax		4275		2771	1504		nc		1504	0						
Provision for Dividend		2417		2417		0	nc			0						
Debenture		2000		2000	0		fin			0					0	0
Mortgages		16250		15750	500		fin			500					500	0
Paid Up Capital		40290		40290		0	fin			0					0	0
General Reserve		5500		7500		2000	nc	2000		0						
P&L Appn Acct		1838		2007		169	nc	369	200	0						
	81646	81646	86820	86820						0						
P&L																
Gross Returns and Takings						99707	op			-99707	0	99707				
Advertising					7184		op			7184	7184	0				
Car maint					40050		op			40050	40050	0				
Electrical, repairs					5328		op			5328	5328	0				
Drivers' Meals, Petrol					34602		op			34602	34602	0				
Directors' Fees					375		op			375	375	0				
Depreciation					6632		nc		6632	0						
Tax expense					2750		op	1504		4254	4254	0				
Dividend					2417		op			2417	2417	0				
NP trsf to Appn Acct					369		nc		369	0						
Operating Cashflow											97737	102190				
Investing Cashflow													9091	2812		
Financing Cashflow															500	0
Net					107897	107897					4453		-6279		-500	
Change in Cash Position																
Cash On Hand					200											
BNZ					-2526											
					-2326					-2326						
									0							

"1800 capital profit on plant sold."

	1951		1952		Change			Adjustments			Operating		Investing		Financing	
Cash	510		320			190				-190						
Debtors	9654		9058			596	op			-596	0	596				
Balance Sale Eichardt's			5834		5834		inv			5834			5834	0		
Stock	1848		2035		187		op			187	187	0				
NZ Government War Loan	4500		4500		0		inv			0			0	0		
Investments and Shares	55		55		0		inv			0			0	0		
Mortgage	4250					4250	inv			-4250			0	4250		
Agreement to Mortgage			5500		5500		inv			5500			5500	0		
Plant Furn Fittings	32453		33142		689		inv	7415		8104			8104	0		
Land & Buildings	29550		25232			4318	inv	341	10275	-14252			341	14593		
Goodwill	4000					4000	inv	4000		0			4000	4000		
BNZ		3329		7014		3685				-3685						
Creditors		10756		10001	755		op			755	755	0				
Provision for Income Tax		2771		911	1860		nc		1860	0						
Provision for Dividend		2417		2417		0	nc			0						
Debenture		2000		2000	0		fin			0					0	0
Mortgages		15750		7750	8000		fin			8000					8000	0
Paid Up Capital		40290		40290		0	fin			0					0	0
General Reserve		7500		13775		6275	nc	10275	4000	0						
P&L Appn Acct		2007		1518	489		nc		489	0						
	86820	86820	85676	85676						0						
P&L																
Gross Returns and Takings						100150	op			-100150	0	100150				
Advertising					7202		op			7202	7202	0				
Car maint					42920		op			42920	42920	0				
Electrical, repairs					5114		op			5114	5114	0				
Drivers' Meals, Petrol					34055		op			34055	34055	0				
Directors' Fees					375		op			375	375	0				
Depreciation					7756		nc		7756	0						
Tax expense					800		op	1860		2660	2660	0				
Dividend					2417		op			2417	2417	0				
NP trsf to Appn Acct						489	nc	489		0						
Operating Cashflow											95685	100746				
Investing Cashflow													23779	22843		
Financing Cashflow															8000	0
Net					123953	123953					5061		-936		-8000	
Change in Cash Position																
Cash On Hand					-190											
BNZ					-3685											
					-3875					-3875						
									0							

"10275 capital profit on sale of Eichardt's and plant."

	1952		1953		Change			Adjustments			Operating		Investing		Financing	
Cash	320		4645		4325					4325						
Debtors	9058		6777			2281	op			-2281	0	2281				
Balance Sale Eichardt's	5834					5834	inv			-5834			0	5834		
Stock	2035		1897			138	op			-138	0	138				
NZ Government War Loan	4500		4500		0		inv			0			0	0		
Investments and Shares	55		67		12		inv			12			12	0		
Agreement to Mortgage	5500		5250			250	inv			-250			0	250		
Plant Furn Fittings	33142		28115			5027	inv	6634		1607			6634	5027		
Land & Buildings	25232		25263		31		inv	522		553			553	0		
BNZ		7014			7014					7014						
Creditors		10001		6283	3718		op			3718	3718	0				
Provision for Income Tax		911		2066		1155	nc	1155		0						
Provision for Dividend		2417		2417		0	nc			0						
Debenture		2000		2000	0		fin			0					0	0
Mortgages		7750		7750	0		fin			0					0	0
Paid Up Capital		40290		40290		0	fin			0					0	0
General Reserve		13775		14275		500	nc	500		0						
P&L Appn Acct		1518		1433	85		nc	415	500	0						
	85676	85676	76514	76514						0						
P&L																
Gross Returns and Takings						94212	op			-94212	0	94212				
Advertising					5459		op			5459	5459	0				
Car maint					43525		op			43525	43525	0				
Electrical, repairs					1910		op			1910	1910	0				
Drivers' Meals, Petrol					31071		op			31071	31071	0				
Directors' Fees					231		op			231	231	0				
Depreciation					7156		nc		7156	0						
Tax expense					2028		op		1155	873	2028	1155				
Dividend					2417		op			2417	2417	0				
NP trsf to Appn Acct					415		nc		415	0						
Operating Cashflow											90359	97786				
Investing Cashflow													7199	11111		
Financing Cashflow															0	0
Net					109397	109397					7427		3912		0	
Change in Cash Position																
Cash On Hand					4325											
BNZ					7014											
					11339					11339						
									0							

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1953

	1953		1954		Change			Adjustments			Operating		Investing		Financing	
Cash	4645		187			4458				-4458						
Debtors	6777		12304		5527		op			5527	5527	0				
Stock	1897		1711			186	op			-186	0	186				
NZ Government War Loan	4500		4510		10		inv			10			10	0		
Investments and Shares	67		53			14	inv			-14			0	14		
Agreement to Mortgage	5250		4706			544	inv			-544			0	544		
Plant Furn Fittings	28115		36069		7954		inv	5877		13831			13831	0		
Land & Buildings	25263		25207			56	inv	526		470			526	56		
BNZ				3564		3564				-3564						
Creditors		6283		6766		483	op			-483	0	483				
Provision for Income Tax		2066		1940	126		nc		126	0						
Provision for Dividend		2417		2417		0	nc			0						
Debenture		2000		2000	0		fin			0					0	0
Mortgages		7750		11750		4000	fin			-4000					0	4000
Paid Up Capital		40290		40290		0	fin			0					0	0
General Reserve		14275		14500		225	nc	225		0						
P&L Appn Acct		1433		1520		87	nc	313	225	1						
	76514	76514	84747	84747						0						
P&L																
Gross Returns and Takings						93768	op			-93768	0	93768				
Advertising					5927		op			5927	5927	0				
Car maint					38954		op			38954	38954	0				
Electrical, repairs					2640		op			2640	2640	0				
Drivers' Meals, Petrol					34914		op			34914	34914	0				
Directors' Fees					300		op			300	300	0				
Depreciation					6403		nc		6403	0						
Tax expense					1900		op	126		2026	2026	0				
Dividend					2417		op			2417	2417	0				
NP trsf to Appn Acct					313		nc		313	0						
Operating Cashflow											92705	94437				
Investing Cashflow													14367	614		
Financing Cashflow															0	4000
Net					107385	107385					1732		-13753		4000	
Change in Cash Position																
Cash On Hand					-4458											
BNZ					-3564											
					-8022					-8021						
									1							

	1954		1955		Change			Adjustments			Operating		Investing		Financing	
Cash	187		312		125					125						
Debtors	12304		13026		722		op			722	722	0				
Stock	1711		1618			93	op			-93	0	93				
NZ Government War Loan	4510		4510		0		inv			0			0	0		
Investments and Shares	53		65		12		inv			12			12	0		
Agreement to Mortgage	4706		4208			498	inv			-498			0	498		
Plant Furn Fittings	36069		34883			1186	inv	8780		7594			8780	1186		
Land & Buildings	25207		25322		115		inv	540		655			655	0		
BNZ		3564		5057		1493				-1493						
Creditors		6766		7645		879	op			-879	0	879				
Provision for Income Tax		1940		253	1687		nc		1687	0						
Provision for Dividend		2417		2417		0	nc			0						
Debenture		2000		2000	0		fin			0					0	0
Mortgages		11750		11750		0	fin			0					0	0
Paid Up Capital		40290		40290		0	fin			0					0	0
General Reserve		14500		13500	1000		nc		1000	0						
P&L Appn Acct		1520		1032	488		nc		488	0						
	84747	84747	83944	83944						0						
P&L																
Gross Returns and Takings						92381	op			-92381	0	92381				
Advertising					5850		op			5850	5850	0				
Car maint					39791		op			39791	39791	0				
Electrical, repairs					2617		op			2617	2617	0				
Drivers' Meals, Petrol					33364		op			33364	33364	0				
Directors' Fees					300		op			300	300	0				
Depreciation					9320		nc		9320	0						
Tax expense					210		op	1687		1897	1897	0				
Dividend					2417		op			2417	2417	0				
Transfer to Reserve						1000	nc	1000		0						
NP trsf to Appn Acct						488	nc	488		0						
Operating Cashflow											86958	93353				
Investing Cashflow													9447	1684		
Financing Cashflow															0	0
Net					98018	98018					6395		-7763		0	
Change in Cash Position																
Cash On Hand					125											
BNZ					-1493											
					-1368					-1368						
									0							

Depreciation on Plant amended by 300 pounds. Depn expense not equal to depreciation recorded against assets this year.

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1955

	1955		1956		Change			Adjustments			Operating		Investing		Financing	
Cash	312		177			135				-135						
Debtors	13026		12962			64	op			-64	0	64				
Stock	1618		1098			520	op			-520	0	520				
					0					0						
Government Loans	4510		4510			0	inv			0			0	0		
Sundry Inv	65		7084		7019		inv			7019			7019	0		
Agreement to Mortgage	4208		3708			500	inv			-500			0	500		
					0					0						
Land & Buildings	25207		26576							0						
Additions	655		1084							0						
Disposals										0						
Depreciation	540		582							0						
Net Bldgs	25322		27078		1756		inv		1254	502			1756	1254		
Plant furn Fittings	41528		28961							0						
Additions, less disposals	2435		21706							0						
Depreciation	9080		6321							0						
net Plant	34883		44346		9463		inv	12121		21584			21584	0		
										0						
BNZ		5057		9755		4698				-4698						
Creditors		7645		12402		4757	op			-4757	0	4757				
Provision for Tax		253		5210		4957	nc	4957		0						
Provision for Dividend		2417		2417	0		nc			0						
Debenture		2000		2000	0		fin			0					0	0
Mortgages		11750		11750	0		fin			0					0	0
Paid Up Capital		40290		40290	0		fin			0					0	0
Reserve Acct		13500		15000		1500	nc	1500		0						
P&L Appn Acct		1032		2139		1107	nc	5024	3917	0						
	83944	83944	100963	100963						0						
										0						
P&L										0						
Gross Returns and Takings						87005	op	1254		-85751	1254	87005				
Cars Trucks Maint etc					70272		op		5922	64350	70272	5922				
Directors Fees					300		op			300	300	0				
Depreciation					6199		nc		6199	0						
Provision for Tax					5210		op		4957	253	5210	4957				
NP trsf to Appn Acct					5024		nc		5024	0						
Dividends paid							op	2417			2417	0				
Operating Cashflow											79453	103225				
Investing Cashflow													30359	1754		
Financing Cashflow															0	0
Net					105243	105243					23772		-28605		0	
Change in Cash Position																
Cash On Hand			-135													
BNZ			-4698													
			-4833							-4833						

	1956		1957		Change			Adjustments			Operating		Investing		Financing	
Cash	177		227		50					50						
Debtors	12962		13213		251		op			251	251	0				
Stock	1098		1466		368		op			368	368	0				
					0					0						
Government Loans	4510		3510			1000	inv			-1000			0	1000		
Sundry Inv	7084		7103		19		inv			19			19	0		
Agreement to Mortgage	3708					3708	inv			-3708			0	3708		
					0					0						
Land & Buildings	26576		27078							0						
Additions	1084									0						
Disposals			1374							0						
Depreciation	582		542							0						
Net Bldgs	**27078**		**25162**			1916	inv	542		-1374			542	1916		
Plant furn Fittings	28961		44346							0						
Additions, less disposals	21706		18707							0						
Depreciation	6321		14429							0						
net Plant	**44346**		**48624**		4278		inv	14430		18708			18708	0		
										0						
BNZ		9755		10280		525				-525						
Creditors		12402		11226	1176		op			1176	1176	0				
Provision for Tax		5210		1905	3305		nc		3305	0						
Provision for Dividend		2417		2417	0		nc			0						
Debenture		2000		2000	0		fin			0					0	0
Mortgages		11750		10600	1150		fin			1150					1150	0
Paid Up Capital		40290		40290	0		fin			0					0	0
Reserve Acct		15000		19000		4000	nc	4000		0						
P&L Appn Acct		2139		1587	552		nc	2865	3417	0						
	100963	100963	99305	99305						0						
										0						
P&L										0						
Gross Returns and Takings						85241	op			-85241	0	85241				
Cars Trucks Maint etc					18028		op			18028	18028	0				
Drivers meals and accomm					7515		op			7515	7515	0				
Rates rent legal int general					9746		op			9746	9746	0				
Salaries Wages Comm Subs					29910		op			29910	29910	0				
Directors Fees					300		op			300	300	0				
Depreciation					14972		nc		14972	0						
Provision for Tax					1905		op	305		2210	2210	0				
NP trsf to Appn Acct					2865				2865	0						
Dividends paid							op	2417		2417	2417	0				
Operating Cashflow											71921	85241				
Investing Cashflow													19269	6624		
Financing Cashflow															1150	0
Net					96390	96390					13320		-12645		-1150	

Change in Cash Position		
Cash On Hand	50	
BNZ	-525	
	-475	-475

	1957		1958		Change			Adjustments			Operating		Investing		Financing	
Cash	227		252		25					25						
Debtors	13213		17695		4482		op			4482	4482	0				
Stock	1466		1801		335		op			335	335	0				
					0					0						
Government Loans	3510		750			2760	inv			-2760			0	2760		
Sundry Inv	7103		7103		0		inv			0			0	0		
Agreement to Mortgage						0	inv			0			0	0		
					0					0						
Land & Buildings	27078		25162							0						
Additions			1358							0						
Disposals	1374									0						
Depreciation	542		564							0						
Net Bldgs	**25162**		**25956**		794		inv	564		1358			1358	0		
Plant furn Fittings	44346		48623							0						
Additions, less disposals	18707		1987							0						
Depreciation	14429		10314							0						
net Plant	**48624**		**40296**			8328	inv	10314		1986			10314	8328		
										0						
BNZ		10280		11677		1397				-1397						
Creditors		11226		6012	5214		op			5214	5214	0				
Provision for Tax		1905		865	1040		nc		1040	0						
Provision for Dividend		2417		2417	0		nc			0						
Debenture		2000		2000	0		fin			0					0	0
Mortgages		10600		10600	0		fin			0					0	0
Paid Up Capital		40290		40290	0		fin			0					0	0
Reserve Acct		19000		19000		0	nc			0						
P&L Appn Acct		1587		992	595		nc	1824	2417	2						
	99305	99305	93853	93853						0						
										0						
P&L										0						
Gross Returns and Takings						94998	op			-94998	0	94998				
Cars Trucks Maint etc					26529		op			26529	26529	0				
Drivers meals and accomm					10661		op			10661	10661	0				
Rates rent legal int general					9718		op			9718	9718	0				
Salaries Wages Comm Subs					34223		op			34223	34223	0				
Directors Fees					300		op			300	300	0				
Depreciation					10878		nc		10878	0						
Provision for Tax					865		op	1040		1905	1905	0				
NP trsf to Appn Acct					1824				1824	0						
Dividends paid							op	2417			2417	0				
Operating Cashflow											95784	94998				
Investing Cashflow													11672	11088		
Financing Cashflow															0	0
Net					107483	107483					-786		-584		0	
Change in Cash Position																
Cash On Hand			25													
BNZ			-1397													
			-1372							-1370						

	1958		1959		Change			Adjustments			Operating		Investing		Financing	
Cash	252		187			65				-65						
Debtors	17695		9821		-7874		op			-7874	-7874	0				
Stock	1801		1970		169		op			169	169	0				
					0					0						
Government Loans	750		750			0	inv			0			0	0		
Sundry Inv	7103		7116		13		inv			13			13	0		
Agreement to Mortgage						0	inv			0			0	0		
					0					0						
Land & Buildings	25162		25956							0						
Additions	1358		809							0						
Disposals										0						
Depreciation	564		574							0						
Net Bldgs	**25956**		**26191**		235		inv	574		809			809	0		
Plant furn Fittings	48623		40296							0						
Additions, less disposals	1987		13674							0						
Depreciation	10314		10027							0						
net Plant	**40296**		**43943**			-3647	inv	10027		13674			10027	-3647		
										0						
BNZ		11677		7249	4428					4428						
Creditors		6012		7086		1074	op			-1074	0	1074				
Provision for Tax		865		904		39	nc	39		0						
Provision for Dividend		2417		2417	0		nc			0						
Debenture		2000		2000	0		fin			0					0	0
Mortgages		10600		10600	0		fin			0					0	0
Paid Up Capital		40290		40290	0		fin			0					0	0
Reserve Acct		19000		19000		0	nc			0						
P&L Appn Acct		992		432	560		nc	1857	2417	0						
	93853	93853	89978	89978						0						
										0						
P&L										0						
Gross Returns and Takings						98127	op			-98127	0	98127				
Cars Trucks Maint etc					28761		op			28761	28761	0				
Drivers meals and accomm					9954		op			9954	9954	0				
Rates rent legal int general					9148		op			9148	9148	0				
Salaries Wages Comm Subs					36602		op			36602	36602	0				
Directors Fees					300		op			300	300	0				
Depreciation					10601		nc		10601	0						
Provision for Tax					904		op		39	865	904	39				
NP trsf to Appn Acct					1857				1857	0						
Dividends paid							op	2417			2417	0				
Operating Cashflow											80381	99240				
Investing Cashflow													10849	-3647		
Financing Cashflow															0	0
Net					95658	95658					18859		-14496		0	
Change in Cash Position																
Cash On Hand			-65													
BNZ			4428													
			4363							4363						

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1959

	1959		1960		Change			Adjustments			Operating		Investing		Financing	
Cash	187		182			5				-5						
Debtors	9821		10258		437		op			437	437	0				
Stock	1970		1581			389	op			-389	0	389				
					0					0						
Government Loans	750		0			750	inv			-750			0	750		
Sundry Inv	7116		13666		6550		inv			6550			6550	0		
Agreement to Mortgage						0	inv			0			0	0		
					0					0						
Land & Buildings	25956		26191							0						
Additions	809		1112							0						
Disposals			5500							0						
Depreciation	574		589							0						
Net Bldgs	26191		21214			4977	inv	589		-4388			589	4977		
Plant furn Fittings	40296		43943							0						
Additions, less disposals	13674		10821							0						
Depreciation	10027		8677							0						
net Plant	43943		46087		2144		inv	8677		10821			10821	0		
										0						
BNZ		7249		7305		56				-56						
creditors		7086		6545	541		op			541	541	0				
Provision for Tax		904		2968		2064	nc	2064		0						
Provision for Dividend		2417		2417	0		nc			0						
Debenture		2000		2000	0		fin			0					0	0
Mortgages		10600		10600	0		fin			0					0	0
Paid Up Capital		40290		40290	0		fin			0					0	0
Reserve Acct		19000		19000		0	nc			0						
P&L Appn Acct		432		1863		1431	nc	3848	2417	0						
	89978	89978	92988	92988						0						
										0						
P&L										0						
Gross Returns and Takings						106442	op			-106442	0	106442				
Cars Trucks Maint etc					31441		op			31441	31441	0				
Drivers meals and accomm					11075		op			11075	11075	0				
Rates rent legal int general					9547		op			9547	9547	0				
Salaries Wages Comm Subs					37806		op			37806	37806	0				
Directors Fees					300		op			300	300	0				
Depreciation					9266		nc		9266	0						
Provision for Tax					3159		op		2064	1095	3159	2064				
NP trsf to Appn Acct					3848		nc		3848	0						
Dividends paid							op	2417			2417	0				
Operating Cashflow											96723	108895				
Investing Cashflow													17960	5727		
Financing Cashflow															0	0
Net					116114	116114					12172		-12233		0	
Change in Cash Position																
Cash On Hand			-5													
BNZ			-56													
			-61							-61						

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1960

	1960		1961		Change			Adjustments			Operating		Investing		Financing	
Cash	182		180		-2					-2						
Debtors	10258		14738		4480		op			4480	4480	0				
Stock	1581		1267		-314		op			-314	-314	0				
					0					0						
Shares in Other Compar	0		7115			-7115	inv			7115			0	-7115		
Sundry Inv	13666		5800		-7866		inv			-7866			-7866	0		
Agreement to Mortgage						0	inv			0			0	0		
					0					0						
Land & Buildings	26191		21214							0						
Additions	1112		415							0						
Disposals	5500									0						
Depreciation	589		344							0						
Net Bldgs	21214		21285		71		inv	344		415			415	0		
Plant furn Fittings	43943		46087							0						
Additions, less disposals	10821		20512							0						
Depreciation	8677		9904							0						
net Plant	46087		56695			-10608	inv	9904		20512			9904	-10608		
										0						
BNZ		7305		10241		2936				-2936						
Creditors		6545		13070	-6525		op			-6525	-6525	0				
Provision for Tax		2968		4813	-1845		nc	1845		0						
Provision for Dividend		2417		2417	0		nc			0						
Debenture		2000		2000	0		fin			0					0	0
Mortgages		10600		10600	0		fin			0					0	0
Paid Up Capital		40290		40290	0		fin			0					0	0
Reserve Acct		19000		20000		1000	nc	1000		0						
P&L Appn Acct		1863		3649	-1786		nc	5203	3417	0						
	92988	92988	107080	107080						0						
										0						
P&L										0						
Gross Returns and Takings						113680	op			-113680	0	113680				
Cars Trucks Maint etc					31091		op			31091	31091	0				
Drivers meals and accomm					12542		op			12542	12542	0				
Rates rent legal int general					9661		op			9661	9661	0				
Salaries Wages Comm Subs					39822		op			39822	39822	0				
Directors Fees					300		op			300	300	0				
Depreciation					10248		nc		10248	0						
Provision for Tax					4813		op		1845	2968	4813	1845				
NP trsf to Appn Acct					5203		nc		5203	0						
Dividends paid							op	2417			2417	0				
Operating Cashflow											98287	115525				
Investing Cashflow													2453	-17723		
Financing Cashflow															0	0
Net					99893	99893					17238		-20176		0	
Change in Cash Position																
Cash On Hand			-2													
BNZ			-2936													
			-2938							-2938						

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1961

	1961		1962		Change			Adjustments			Operating		Investing		Financing	
Cash	180		185		5					5						
Debtors	14738		18026		3288		op			3288	3288	0				
Stock	1267		1510		243		op			243	243	0				
					0					0						
Shares in Other Compar	7115		5115			2000	inv			-2000			0	2000		
Sundry Inv	5800		5800		0		inv			0			0	0		
Agreement to Mortgage						0	inv			0			0	0		
					0					0						
Land & Buildings	21214		30553							0						
Additions	415									0						
Disposals										0						
Depreciation	344									0						
Net Bldgs	21285		30553		9268		inv	656	300	9624			9924	300		
Plant furn Fittings	46087		71972							0						
Additions, less disposals	20512									0						
Depreciation	9904									0						
net Plant	56695		71972		15277		inv	16000		31277			31277	0		
										0						
BNZ		10241		606	9635					9635						
Creditors		13070		29182		16112	op			-16112	0	16112				
Prvn Tax		4813		3469	1344		nc		1344	0						
Prvn Dividend		2417		3400		983	nc	983		0	2417					
Debenture		2000		6000		4000	fin			-4000					0	4000
Mortgages		10600		23800		13200	fin			-13200					0	13200
Paid Up Capital		40290		42500		2210	fin			-2210					0	2210
Reserve Acct		20000		20300		300	nc	300		0						
P&L Appn Acct		3649		3904		255	nc	255		0						
	107080	107080	133161	133161						0						
										0						
P&L										0						
Gross Returns and Takings						142192	op			-142192	0	142192				
Maint plant bldgs etc					43559		op			43559	43559	0				
Working expenses					12018		op			12018	12018	0				
Fixed Overhead Charges					12044		op			12044	12044	0				
Salaries Wages Comm					50491		op			50491	50491	0				
Directors Fees					300		op			300	300	0				
Depreciation					16656		nc		16656	0						
Prvn Tax					3469		op	1344		4813	4813	0				
NP trsf to Appn Acct					255		nc		255	0						
Proposed Dividend					3400		op		983	2417	3400	983				
Operating Cashflow											132573	159287				
Investing Cashflow													41201	2300		
Financing Cashflow															0	19410
Net					181252	181252					26714		-38901		19410	

Change in Cash Position		
Cash On Hand	5	
BNZ	9635	
	9640	7223

	1962		1963		Change			Adjustments			Operating		Investing		Financing	
Cash	185		185		0					0						
Debtors	18026		18887		861		op			861	861	0				
Stock	1510		1544		34		op			34	34	0				
					0					0						
Shares in Other Compan	5115		5115			0	inv			0			0	0		
Sundry Inv	5800		5750			50	inv			-50			0	50		
Agreement to Mortgage						0	inv			0			0	0		
					0	0				0						
Land & Buildings	19073		18725			348	inv			-348			0	348		
Airport and Road Dvlpmt	11480		11875		395		inv			395			395	0		
Plant furn Fittings	71972		58843			13129	inv	17579		4450			4450			
										0						
BNZ		606		4186		3580				-3580						
Creditors		29182		15394	13788		op			13788	13788	0				
Provision for Tax		3469		3135	334		nc		334	0						
Provision for Dividend		3400		3400		0	nc			0						
Debenture		6000		6000		0	fin			0					0	0
Mortgages		23800		20500	3300		fin			3300					3300	0
Paid Up Capital		42500		42500		0	fin			0					0	0
Reserve Acct		20300		22300		2000	nc	2000		0						
P&L Appn Acct		3904		3509	395		nc	1605	2000	0						
	133161	133161	120924	120924						0						
										0						
P&L										0						
Gross Returns and Takings						162469	op			-162469	0	162469				
Cars Trucks Maint etc					56065		op			56065	56065	0				
Working expenses					13414		op			13414	13414	0				
Fixed Overhead Charges					12510		op			12510	12510	0				
Salaries Wages Comm					54752		op			54752	54752	0				
Directors Fees					450		op			450	450	0				
Depreciation					17578		nc		17578	0						
Provision for Tax					2694		op	334		3028	3028	0				
NP trsf to Appn Acct					1606		nc		1606	0						
Proposed Dividend					3400		op			3400	3400	0				
Operating Cashflow											158302	162469				
Investing Cashflow													4845	398		
Financing Cashflow															3300	0
Net					181576	181576					4167		-4447		-3300	

Change in Cash Position

Cash On Hand	0	
BNZ	-3580	
	-3580	-3580

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	1963		1964		Change			Adjustments			Operating		Investing		Financing	
Cash	185		210		25					25						
Debtors	18887		28443		9556		op			9556	9556	0				
Stock	1544		1956		412		op			412	412	0				
					0					0						
Shares in Other Compan	5115		5115			0	inv			0			0	0		
Sundry Inv	5750		5750			0	inv			0			0	0		
Agreement to Mortgage						0	inv			0			0	0		
					0	0				0						
Land & Buildings	18725		44942		26217		inv			26217			26217	0		
Airport and Road Dvlpmt	11875		11875		0		inv			0			0	0		
Plant furn Fittings	58843		86533		27690		inv	18044		45734			45734			
										0						
BNZ		4186		28922		24736				-24736						
Creditors		15394		28203		12809	op			-12809	0	12809				
Prvn Tax		3135		5570		2435	nc	2435		0						
Prvn Dividend		3400		3800		400	nc	400		0						
Debenture		6000		6000		0	fin			0					0	0
Mortgages		20500		31200		10700	fin			-10700					0	10700
Paid Up Capital		42500		52500		10000	fin			-10000					0	10000
Reserve Acct		22300		22300		0	nc			0						
P&L Appn Acct		3509		6329		2820	nc	2820		0						
	120924	120924	184824	184824						0						
										0						
P&L										0						
Gross Returns and Takings						210388	op			-210388	0	210388				
Cars Trucks Maint etc					74244		op			74244	74244	0				
Working expenses					17946		op			17946	17946	0				
Fixed Overhead Charges					15623		op			15623	15623	0				
Salaries Wages Comm					71921		op			71921	71921	0				
Directors Fees					450		op			450	450	0				
Tax expense					5540		op		2435	3105	3105	0				
Proposed Dividend					3800		op		400	3400	3800	400				
Depreciation					18044		nc		18044	0						
NP trsf to Appn Acct					2820		nc		2820	0						
Operating Cashflow											197057	223597				
Investing Cashflow													71951	0		
Financing Cashflow															0	20700
Net					274288	274288					26540		-71951		20700	
Change in Cash Position																
Cash On Hand			25													
BNZ			-24736													
			-24711							-24711						

	1964		1965		Change			Adjustments			Operating		Investing		Financing	
Cash	210		255		45					45						
Debtors	28443		45982		17539		op			17539	17539	0				
Stock	1956		3343		1387		op			1387	1387	0				
					0					0						
Shares in Other Compan	5115		5115			0	inv			0			0	0		
Sundry Inv	5750		5750			0	inv			0			0	0		
Agreement to Mortgage						0	inv			0			0	0		
Land & Buildings	44942		65760		20818		inv	8000	3588	25230			28818	3588		
Airport and Road Dvlpmt	11875		9875			2000	inv	2000		0			2000	2000		
Plant furn Fittings	86533		136106		49573		inv	9938		59511			59511			
										0						
BNZ		28922		19574	9348					9348						
Creditors		28203		37878		9675	op			-9675	0	9675				
Prvn Tax		5570		6237		667	nc	2369	1702	0						
Prvn Dividend		3800		6800		3000	nc	3000		0						
Debenture		6000		36500		30500	fin			-30500					0	30500
Mortgages		31200		44750		13550	fin			-13550					0	13550
Paid Up Capital		52500		85000		32500	fin			-32500					0	32500
Reserve Acct		22300		25888		3588	nc	3588		0						
P&L Appn Acct		6329		9559		3230	nc	3230		0						
	184824	184824	272186	272186						0						
										0						
P&L										0						
Gross Returns and Takings						301550	op			-301550	0	301550				
Cars Trucks Maint etc					129602		op			129602	129602	0				
Working expenses					25338		op			25338	25338	0				
Fixed Overhead Charges					18729		op			18729	18729	0				
Salaries Wages Comm					90391		op			90391	90391	0				
Directors Fees					800		op			800	800	0				
Tax expense					6237		op		2369	3868	3868	0				
Proposed Dividend					6800		op		3000	3800	6800	3000				
Depreciation					19938		nc		19938	0						
Cost of new share issue					2187		fin			2187					2187	0
NP trsf to Appn Acct					1528		nc		1528	0						
Operating Cashflow											294454	314225				
Investing Cashflow													90329	5588		
Financing Cashflow															2187	76550
Net					400260	400260					19771		-84741		74363	

Change in Cash Position			
Cash On Hand	45		
BNZ	9348		
	9393		9393

	1965		1966		Change			Consol adj		Adjustments		Adj bal	Operating		Investing		Financing	
Cash	510		510		0							0						
Debtors	91964		132572		40608		op		10267			30341	40608	10267				
Stock	6686		14714		8028		op		3674			4354	8028	3674				
Shares in Other Compan	10230		630			9600	inv		385		1000	-10985			0	10985		
Sundry Inv	11500		11992		492		inv		476			16			492	476		
Land & Buildings	131520		194454		62934		inv		51647			11287			62934	51647		
Airport and Road Dvlpmt	19750		23888		4138		inv		3528			610			4138	3528		
Plant furn Fittings	272212		329084		56872		inv		58163	52816		51525			109688	58163		
												0						
BNZ		39148		41636		2488		3452				964						
Creditors		75756		117526		41770	op	23284				-18486	23284	41770				
Provision for Dividend		13600		17460		3860	nc			3860		0						
Provision for Tax (current)		5844		7902		2058	nc	188		1870		0						
Provision for Tax (non-current)		6630		12162		5532	nc	5532				0						
Debenture		73000		63000	10000		fin					10000					10000	0
Mortgages		89500		92834		3334	fin	24066				20732					24066	3334
Paid Up Capital		170000		266498		96498	fin	59998				-36500					59998	96498
Capital Reserve				11620		11620	nc	11620				0						
Reserve Acct		51776		52776		1000	nc			1000		0						
Unappropriated Profits		19118		24430		5312	nc			5312		0						
	544372	544372	707844	707844								0						
												0						
												0						
P&L												0						
Gross Revenue						803938	op					-803938	0	803938				
Operating Expenses					700004		op					700004	700004	0				
Interest					13386		op					13386	13386	0				
Directors Fees					1800		op					1800	1800	0				
Tax expense					13160		op				1870	11290	13160	1870				
Proposed Dividend					17460		op				3860	13600	17460	3860				
Depreciation					52816		nc				52816	0						
NP trsf to Appn Acct					5312		nc				5312	0						
Operating Cashflow													817730	865379				
Investing Cashflow															177252	124799		
Financing Cashflow																	94064	99832
Net					987010	987010				64858	64858		47649		-52453		5768	

Change in Cash Position			
Cash On Hand	0		
BNZ	-2488		
	-2488	Comparatives for prior year not consolidated	964
	3452	Cash from other sources	
	964	Cash Flow to reconcile	

	1966		1967		Change			Adjustments			Operating		Investing		Financing	
Cash	510		630		120					120						
Debtors	132572		140446		7874		op			7874	7874	0				
Stock	14714		16818		2104		op			2104	2104	0				
Shares in Other Compan	630		232			398	inv			-398			0	398		
Sundry Inv	11992		12386		394		inv			394			394	0		
Land & Buildings	194454		212218		17764		inv	57972	4602	71134			75736	4602		
Airport and Road Dvlpmt	23888		25480		1592		inv			1592			1592	0		
Plant furn Fittings	329084		377478		48394		inv			48394			48394	0		
										0						
BNZ		41636		38450	3186					3186						
Creditors		117526		138616		21090	op			-21090	0	21090				
Provision for Dividend		17460		23984		6524	nc	6524		0						
Provision for Tax (current)		7902		44546		36644	nc	36644		0						
Provision for Tax (non-current)		12162		17010		4848	nc	4848		0						
Debenture		63000		37000	26000		fin			26000					26000	0
Mortgages		92834		94110		1276	fin			-1276					0	1276
Paid Up Capital		266498		266498		0	fin			0					0	0
Capital Reserve		11620		11620		0	nc			0						
Reserve Acct		52776		57378		4602	nc	4602		0						
Unappropriated Profits		24430		56476		32046	nc	32046		0						
	707844	707844	785688	785688						0						
										0						
P&L										0						
Gross Revenue						1042770	op			-1042770	0	1042770				
Operating Expenses					867112		op			867112	867112	0				
Interest					10600		op			10600	10600	0				
Directors Fees					1800		op			1800	1800	0				
Tax expense					49256		op		41492	7764	49256	41492				
Proposed Dividend					23984		op		6524	17460	23984	6524				
Depreciation					57972		nc		57972	0						
NP trsf to Appn Acct					32046		nc		32046	0						
Operating Cashflow											962730	1111876				
Investing Cashflow													126116	5000		
Financing Cashflow															26000	1276
Net					1150198	1150198		142636	142636		149146		-121116		-24724	
Change in Cash Position																
Cash On Hand					120											
BNZ					3186											
					3306					3306						

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1967

	1967		1968		Change			Adjustments			Operating		Investing		Financing	
Cash	630		955		325					325						
Debtors	140446		171200		30754		op			30754	30754	0				
Stock	16818		20752		3934		op			3934	3934	0				
Shares in Other Companies	232		349		117		inv			117			117	0		
Sundry Inv	12386		12770		384		inv			384			384	0		
Agreement to Mortgage						0	inv			0			0	0		
Land & Buildings	212218		219725		7507		inv			7507			7507	0		
Airport and Road Dvlpmts	25480		30729		5249		inv			5249			5249	0		
Plant furn Fittings	377478		547685		170207		inv	97651	2566	265292			267858	2566		
										0						
BNZ		38450		132584		94134				-94134						
Creditors		138616		147858		9242	op			-9242	0	9242				
Provision for Dividend		23984		29982		5998	nc	5998		0						
Provision for Tax (current)		44546		12030	32516		nc		32516	0						
Provision for Tax (non-current)		17010		23488	-6478		nc	6478		0						
Debenture		37000		27000	10000		fin			10000					10000	0
Mortgages		94110		98889		4779	fin			-4779					0	4779
Paid Up Capital		266498		399753		133255	fin			-133255					0	133255
Capital Reserve		11620		11620		0	nc			0						
Reserve Acct		57378		59944		2566	nc	2566		0						
Unappropriated Profits		56476		61017		4541	nc	4541		0						
	785688	785688	1004165	1004165						0						
										0						
P&L										0						
Gross Revenue						1158663	op			-1158663	0	1158663				
Operating Expenses					991767		op			991767	991767	0				
Depreciation					97651		nc		97651	0						
Interest					16415		op			16415	16415	0				
Directors Fees					1546		op			1546	1546	0				
Tax expense					16761		op	26038		42799	42799	0				
Proposed Dividend					29982		op		5998	23984	29982	5998				
Cost of new share issue							fin			0					0	0
NP trsf to Appn Acct					4541		nc		4541	0						
Operating Cashflow											1117197	1173903				
Investing Cashflow													281115	2566		
Financing Cashflow															10000	138034
Net					1413178	1413178		143272	143272		56706		-278549		128034	
Change in Cash Position																
Cash On Hand					325											
BNZ					-94134											
					-93809					-93809						

	1968		1969		Change			Consol adj		Adjustments		Adj Bal	Operating		Investing		Financing	
Cash	955		7665		6710							6710						
Debtors	171200		260393		89193		op		61340			27853	89193	61340				
Stock	20752		212372		191620		op		51017			140603	191620	51017				
Shares in Other Companies	834		3036		2202		inv		1049			1153			2202	1049		
Agreement to Mortgage	11500		11500			0	inv					0			0	0		
Life Insurance Policies	785		1046		261		inv		774			-513			261	774		
Land	32618		37718		5100		inv					5100			5100	0		
Buildings	187107		259991		72884		inv		40765			32119			72884	40765		
Airport and Road Dvlpmts	30729		62768		32039		inv		378			31661			32039	378		
Plant furn Fittings	547685		1585659		1037974		inv		53189		27550	957235			1037974	80739		
												0						
BNZ		132584		236644		104060		27810				-76250						
Creditors		147858		422930		275072	op	37594				-237478	37594	275072				
Provision for Dividend		29982		44127		14145	nc			14145		0						
Provision for Tax (current)		12030		9925		-2105	nc		2105			0						
Provision for Tax (non-current)		23488		79956		56468	nc	16555		39913		0						
Debenture		27000		22560	4440		fin	8560				13000					13000	0
Mortgages		98889		79822	19067		fin		17067			2000					19067	17067
Loans on Aircraft & Vehicles				829945		829945	fin					-829945					0	829945
Minority Interest				10000		10000	inv					-10000			0	10000		
Paid Up Capital		399753		490295		90542	nc	150350				59808						
Capital Rsv		44445		44445		0	nc					0						
Capital Rsv-share premium				49798		49798	nc					-49798						
Capital profit on assets sold				3900		3900	inv	3900				0			3900	3900		
Premium on consolidation				-17423		-17423	nc		17423			0						
Capital Rsv-pre-acq profits				4947		4947	nc	4947				0						
Revenue Rsv		27119		27119	0		nc					0						
Unappropriated Profits		61017		103158		42141	nc			14850		-27291						
	1004165	1004165	2442148	2442148								0						
												0						
P&L												0						
Revenue						1962377	op					-1962377	0	1962377				
Operating Expenses					1615887		op			27550		1643437	1643437	0				
Depreciation					161888		nc					161888						
Interest					54429		op					54429	54429	0				
Directors Fees					2100		op					2100	2100	0				
Audit Fee					2450		op					2450	2450	0				
Tax expense					57898		op				37808	20090	57898	37808				
Proposed Dividend					52875		op				14145	38730	52875	14145				
NP trsf to Appn Acct					14850		nc				14850	0						
Operating Cashflow													2131596	2401759				
Investing Cashflow															1154360	137605		
Financing Cashflow																	32067	847012
Net					3423867	3423867							270163		-1016755		814945	

Change in Cash Position				
Cash On Hand	6710			
BNZ	-104060			
	-97350	Comparatives for prior year not consolidated		68353
	-21096	Cash and overdraft brought in with new subs		
	-118446		186799	

1969: $31,485 capitalised as Plant for aircrew training on HS748. $3935 written off this year and next three and a half years. Reversed out of results.
Minority Interest. Investing cashflow, because part of total assets not acquired and therefore not paid for. See 1971 when acquired - must also be investing.

90542 shares issued for acquisition of NZTAT.

	1969		1970		Change			Adjustments			Operating		Investing		Financing	
Cash	7665		7303			362				-362						
Debtors	260393		374252		113859		op			113859	113859	0				
Stock	212372		265356		52984		op			52984	52984	0				
Shares in Other Companies	3036		16401		13365		inv	66		13431			13431	0		
Agreement to Mortgage	11500					11500	inv			-11500			0	11500		
Life Insurance Policies	1046		1329		283		inv			283			283	0		
Land	37718		194825		157107		inv		156837	270			157107	156837		
Buildings	259991		415887		155896		inv		124221	31675			155896	124221		
Queenstown Hotel Dvlpmt			25336		25336		inv			25336			25336	0		
Airport and Road Dvlpmts	62768		71682		8914		inv		3383	5531			8914	3383		
Plant furn Fittings	1585659		1901358		315699		inv	217177	47230	485646			532876	47230		
										0						
BNZ		236644		124288	112356					112356						
Creditors		422930		573284		150354	op			-150354	0	150354				
Provision for Dividend		44127		52112		7985	nc	7985		0						
Provision for Tax (current)		9925				-9925	nc		9925	0						
Provision for Tax (non-current)		79956		167828		87872	nc	87872		0						
Debenture		22560		80462		57902	fin			-57902					0	57902
Mortgages		79822			79822		fin			79822					79822	0
Loans on Aircraft & Vehicles		829945		1015537		185592	fin			-185592					0	185592
Minority Interest		10000		10000		0	inv			0			0	0		
Paid Up Capital		490295		630954		140659	fin	29000		-111659					29000	140659
Capital Rsv - ordinary		53292		53292		0	nc			0						
Capital Rsv - premium on shares		49798		119268		69470	fin	26100		-43370					26100	69470
Capital Rsv - revaluation		0		284441		284441	nc	284441		0						
Capital Rsv - consol.		-17423		-17489	66		nc		66	0						
Reserve Acct		27119		27119		0	nc			0						
Unappropriated Profits		103158		152633		49475	nc	49475		0						
	2442148	2442148	3273729	3273729												
P&L																
Revenue						2301820	op			-2301820	0	2301820				
Operating Expenses					1803726		op		7870	1795856	1803726	7870				
Depreciation					217177		nc		217177	0						
Interest					91860		op			91860	91860	0				
Directors Fees					5000		op			5000	5000	0				
Audit Fee					3300		op			3300	3300	0				
Tax expense					78570		op		77947	623	78570	77947				
Proposed Dividend					52712		op		7985	44727	52712	7985				
NP trsf to Appn Acct					49475		nc		49475	0						
Operating Cashflow											2202011	2545976				
Investing Cashflow													893843	343171		
Financing Cashflow															134922	453623
Net					3337507	3337507					343965		-550672		318701	

Change in Cash Position			
Cash On Hand	-362		
BNZ	112356		
	111994		111994

$7870 plant written off this year from 1969 capitalisation of aircrew training. Reversed out of results.
29000 shares issued as partpayment of de havilland aircraft. Issued at 90c premium, therefore $29000 ordinary capital reversed and $26100 premium reserve reversed.
$66 change in premium on consolidation set against investments. Reflects a change in value of inv in subs, but too small to worry over.

	1970		1971		Change			Adjustments			Operating		Investing		Financing	
Cash	7303		5150			2153				-2153						
Debtors	374252		557838		183586		op			183586	183586	0				
Stock	265356		330591		65235		op			65235	65235	0				
Shares in Other Companies	16401		16031		-370		inv			-370			-370	0		
Life Insurance Policies	1329		1569		240		inv			240			240	0		
Land	194825		200714		5889		inv			5889			5889	0		
Buildings	415887		517026		101139		inv		440	100699			101139	440		
Queenstown Hotel Dvlpmt	25336		53726		28390		inv		764	27626			28390	764		
Airport and Road Dvlpmts	71682		76623		4941		inv			4941			4941	0		
Plant furn Fittings	1901358		2256351		354993		inv	256854	7870	603977			611847	7870		
										0						
BNZ		124288		252222		127934				-127934						
Creditors		573284		905605		332321	op			-332321	0	332321				
Provision for Dividend		52112		70350		18238	nc	18238		0						
Provision for Tax (non-current)		167828		239832		72004	nc	72004		0						
Debenture		80462		77205		-3257	fin			3257					0	-3257
Loans on Aircraft & Vehicles		1015537		941396		-74141	fin			74141					0	-74141
Minority Interest		10000		0		-10000	inv		2369	7631			0	-7631		
Paid Up Capital		630954		852514		221560	fin	2369		-219191					2369	221560
Capital Rsv - ordinary		53292		52027		-1265	nc		1265	0						
Capital Rsv - premium on shares		119268		248729		129461	fin			-129461					0	129461
Capital Rsv - revaluation		284441		285645		1204	nc	1204		0						
Capital Rsv - consol.	439512	-17489		-109946	92457					92457						
Reserve Acct		27119		27119		0	nc			0						
Unappropriated Profits		152633		172921		20288	nc	20288		0						
	3273729	3273729	4015619	4015619												
P&L																
Revenue						3019801	op			-3019801	0	3019801				
Operating Expenses					2490840		op	7870		2498710	2498710	0				
Depreciation					255589		nc		255589	0						
Interest					100397		op			100397	100397	0				
Directors Fees					5000		op			5000	5000	0				
Audit Fee					4220		op			4220	4220	0				
Tax expense					72517		op		72004	513	72517	72004				
Proposed Dividend					70950		op		18238	52712	70950	18238				
NP trsf to Appn Acct					20288		nc		20288	0						
Operating Cashflow											3000615	3442364				
Investing Cashflow													752076	1443		
Financing Cashflow															2369	273623
Net					3856301	3856301					441749		-750633		271254	

Change in Cash Position			
Cash On Hand	-2153		
BNZ	-127934		
	-130087		-37630
		92457	

$7870 plant written off this year from 1969 capitalisation of aircrew training. Reversed out of results.

Change in ordinary capital rsv is from sale of property, and have therefore adjusted back into Plant.
2369 shares issued for pref shares in SSAS 1 for 1 basis at par

	1971		1972		Change			Adjustments			Operating		Investing		Financing	
Cash	5150		8400			-3250				3250						
Debtors	557838		565018		7180		op			7180	7180	0				
Stock	330591		301175		-29416		op			-29416	-29416	0				
Shares in Assoc. Company			45823		45823		inv		53726	-7903			45823	53726		
Shares in Other Companies	16031		18000		1969		inv			1969			1969	0		
Life Insurance Policies	1569		1830		261		inv			261			261	0		
Land	200714		201414		700		inv			700			700	0		
Buildings	517026		511102		-5924		inv		10601	-16525			-5924	10601		
Queenstown Hotel Dvlpmt	53726		0		-53726		inv	53726		0			0	0		
Airport and Road Dvlpmts	76623		97643		21020		inv			21020			21020	0		
Plant furn Fittings	2256351		3502238		1245887		inv	295807	7870	1533824			1541694	7870		
										0						
BNZ		252222		249798		-2424				2424						
Loan repayments due this year				382131		382131	fin			-382131					0	382131
Creditors		905605		941248		35643	op			-35643	0	35643				
Provision for Dividend		70350		76727		6377	nc	6377		0						
Provision for Tax		239832		343506		103674	nc	103674		0						
Debenture		77205		63782		-13423	fin			13423					0	-13423
Loans on Aircraft & Vehicles		941396		1632539		691143	fin			-691143					0	691143
Paid Up Capital		852514		852514		0	fin			0					0	0
Capital Rsv - ordinary		52027		62628		10601	nc	10601		0						
Capital Rsv - premium on shares		248729		248729		0	fin			0					0	0
Capital Rsv - revaluation		285645		285645		0	nc			0						
Capital Rsv - consol.		-109946		-160995	51049					51049						
Reserve Acct		27119		27119		0	nc			0						
Unappropriated Profits		172921		247272		74351	nc	74351		0						
	4015619	4015619	5252643	5252643												
P&L																
Revenue						3810806	op			-3810806	0	3810806				
Operating Expenses					3102798		op	7870		3110668	3110668	0				
Depreciation					295807		nc		295807	0						
Interest					146985		op			146985	146985	0				
Directors Fees					5000		op			5000	5000	0				
Audit Fee					5500		op			5500	5500	0				
Tax expense					103638		op		103674	-36	103638	103674				
Proposed Dividend					76727		op		6377	70350	76727	6377				
NP trsf to Appn Acct					74351		nc		74351	0						
Operating Cashflow											3426282	3956500				
Investing Cashflow													1605543	72197		
Financing Cashflow															0	1059851
Net					5095629	5095629					530218		-1533346		1059851	
Change in Cash Position																
Cash On Hand					3250											
BNZ					2424											
					5674					56723						
									51049							

$7870 plant written off this year from 1969 capitalisation of aircrew training. Reversed out of results.
Capital Rsv increase from profit on sale of assets. Reversed to Buildings.
Capital Rsv consolidation from purchase of shares in Aorangi Motors Ltd, incorporation of this company's balance sheet this year.

	1972		1973		Change			Adjustments			Operating		Investing		Financing	
Cash	8400		54163		45763					45763						
Debtors & Prepayments	565018		837450		272432		op			272432	272432	0				
Stock	301175		494021		192846		op			192846	192846	0				
Shares in Assoc. Company	45823		131100		85277		inv			85277			85277	0		
Shares in Other Companies	18000					18000	inv	18000		0			18000	18000		
Life Insurance Policies	1830					1830	inv	1830		0			1830	1830		
Other Investments			7349		7349		inv		19830	-12481			7349	19830		
Land	201414		604870		403456		inv		72275	331181			403456	72275		
Buildings	511102		933528		422426		inv			422426			422426	0		
Airport and Road Dvlpmts	97643		135006		37363		inv			37363			37363	0		
Plant furn Fittings	3502238		4290690		788452		inv	545757	14583	1319626			1334209	14583		
Route Licences at cost			46737		46737		inv		46737	0			46737	46737		
BNZ		249798		156723	93075					93075						
Loan repayments due this year		382131		557230		175099	fin			-175099					0	175099
Creditors		941248		1200398		259150	op		27484	-286634	0	286634				
Provision for Dividend		76727		140793		64066	nc	64066		0						
Provision for Tax		343506		561758		218252	nc	218252		0						
Unsecured conv notes				426258		426258	fin			-426258					0	426258
Debentures & Mortgages		63782		634253		570471	fin			-570471					0	570471
Loans on Aircraft & Vehicles		1632539		1476643	155896		fin			155896					155896	0
Minority Interest				4071		4071	inv	860		-3211			860	4071		
Paid Up Capital		852514		1389840		537326	fin			-537326					0	537326
Capital Rsv - ordinary		348273		458675		110402	nc	110402		0						
Capital Rsv - premium on shares		248729		759189		510460	fin			-510460					0	510460
Capital Rsv - revaluation						0	nc			0						
Capital Rsv - consol.		-160995		-702610	541615					541615						
Reserve Acct		27119		27119		0	nc			0						
Unappropriated Profits		247272		444574		197302	nc	197302		0						
	5252643	5252643	7534914	7534914												
P&L																
Revenue						7652968	op			-7652968	0	7652968				
Operating Expenses					6337433		op	50677		6388110	6388110	0				
Depreciation					545757		nc		545757	0						
Interest					237783		op			237783	237783	0				
Directors Fees					11750		op			11750	11750	0				
Audit Fee					11775		op			11775	11775	0				
Tax expense					169515		op		218252	-48737	169515	218252				
Minority Interest					860		nc		860	0						
Proposed Dividend					140793		op		64066	76727	140793	64066				
NP trsf to Appn Acct					197302		nc		197302	0						
Operating Cashflow											7425004	8221920				
Investing Cashflow													2357507	177326		
Financing Cashflow															155896	2219614
Net					10745655	10745655					796916		-2180181		2063718	
Change in Cash Position																
Cash On Hand					45763											
BNZ					93075											
					138838					680453						
									541615							

$3940 plant written off this year from 1969 capitalisation of aircrew training. Reversed out of results.
Route licences are intangible, the cash is spent and should therefore be written off against profit. This reduces the op cashflow.

	1973		1974		Change			Adjustments			Operating		Investing		Financing	
Cash	54163		121497		67334					67334						
Debtors & Prepayments	837450		1320807		483357		op			483357	483357	0				
Stock	494021		747269		253248		op			253248	253248	0				
Short-term Investments			205000		205000		inv			205000			205000	0		
Shares in Assoc. Company	78300					78300	inv	20032		-58268			20032	78300		
Shares in Other Companies	57292		142852		85560		inv			85560			85560	0		
Life Insurance Policies	2857		2397		-460		inv			-460			-460	0		
Land	604870		1260587		655717		inv		100132	555585			655717	100132		
Buildings	933528		1962373		1028845		inv	570385	1137936	461294			1599230	1137936		
Airport and Road Dvlpmts	135006		153347		18341		inv			18341			18341	0		
Motor Vehicles & Plant	1660842		2354649		693807		inv		253021	440786			693807	253021		
Aircraft	2629848		3366218		736370		inv		531460	204910			736370	531460		
Route Licences at cost	46737					46737	inv	46737		0			46737	46737		
BNZ		156723		76563	80160					80160						
Loan repayments due this year		557230		701354		144124	fin			-144124					0	144124
Creditors		1200398		1631735		431337	op			-431337	0	431337				
Provision for Dividend		140793		204583		63790	nc	63790		0						
Prvn Fluctuation For Ex (current)				89632		89632	nc	89632		0						
Prvn Fluctuation For Ex (non-current)				291754		291754	nc	291754		0						
Provision for Tax (non-current)		561758		684765		123007	nc	123007		0						
Unsecured conv notes		426258		426258		0	fin			0					0	0
Debentures & Mortgages		634253		966807		332554	fin			-332554					0	332554
Loans on Aircraft & Vehicles		1476643		1781945		305302	fin		456948	-762250					0	762250
Minority Interest		4071			4071		inv			4071			4071	0		
Paid Up Capital		1389840		1771287		381447	fin	381447		0					381447	381447
Capital Rsv - ordinary		75046		104000		28954	nc	100132	71178	0						
Capital Rsv - exhange		27484		103046		75562	nc	75562		0						
Capital Rsv - revaluation		356145		1494081		1137936	nc	1137936		0						
Capital Rsv - premium on shares		759189		1140636		381447	fin	381447		0					381447	381447
Capital Rsv - consol.		-702610		-681023		21587		21587		0						
Reserve Acct		27119		27119		0	nc			0						
Unappropriated Profits		444574		822454		377880	nc	377880		0						
	7534914	7534914	11636996	11636996												
P&L																
Revenue						10237562	op			-10237562	0	10237562				
Dividends received						27830	op			-27830	0	27830				
Operating Expenses					8728899		op			8728899	8728899	0				
Depreciation					571328		nc		571328	0						
Interest					246557		op			246557	246557	0				
Directors Fees					10500		op			10500	10500	0				
Audit Fee					16400		op			16400	16400	0				
Tax expense					114597		op		123007	-8410	114597	123007				
Goodwill written off					45794		nc		45794	0						
Proposed Dividend					153437		op		12644	140793	153437	12644				
NP trsf to Appn Acct					377880		nc		377880	0						
Operating Cashflow											10006995	10832380				
Investing Cashflow													4064405	2147586		
Financing Cashflow															762894	2001822
Net					14576742	14576742					825385		-1916819		1238928	
Change in Cash Position																
Cash On Hand					67334											
BNZ					80160											
					147494					147494						

Route licences are intangible, the cash is spent and should therefore be written off against profit. This reduces the op cashflow.

1974 $20,032 loss on sale of company's share in Southern Lakes Hotel Ltd.
$1137936 asset revaluation reserve added
Loss $16018 on sale of Twin Otter
Shares issued for acquisition (non-cash). Share premium increase therefore also non-cash.
Assumed that route licences are the sum of goodwill write-off and depreciation of $943.
Minority Interest relates to Hirst Motors Ltd

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	1974		1975		Change			Adjustments			Operating		Investing		Financing	
Cash	121497		75615			45882				-45882						
Debtors & Prepayments	1320807		1875028		554221		op			554221	554221	0				
Stock	747269		833607		86338		op			86338	86338	0				
Short-term Investments	205000					205000	inv	27500		-177500			27500	205000		
Shares in Other Companies	142852		147080		4228		inv			4228			4228	0		
Life Insurance Policies	2397		2680		283		inv			283			283	0		
Land	1260587		1369490		108903		inv			108903			108903	0		
Buildings	1962373		2285928		323555		inv	751956		1075511			1075511	0		
Airport and Road Dvlpmts	153347		250432		97085		inv			97085			97085	0		
Motor Vehicles & Plant	2354649		3059613		704964		inv		132000	572964			704964	132000		
Aircraft	3366218		3410696		44478		inv			44478			44478	0		
BNZ		76563		511080		434517				-434517						
Creditors		1631735		2481691		849956	op			-849956	0	849956				
Provision for Dividend		204583		215900		11317	nc	11317		0						
Loan repayments due this year		701354		824511		123157	fin			-123157					0	123157
Prvn Fluctuation For Ex (current)		89632		38601	51031		nc		51031	0						
Prvn Fluctuation For Ex (non-current)		291754		163273	128481		nc		128481	0						
Provision for Tax		684765		789206		104441	nc	104441		0						
Unsecured conv notes		426258		426258		0	fin			0					0	0
Debentures & Mortgages		966807		1120774		153967	fin			-153967					0	153967
Loans on Aircraft & Vehicles		1781945		1570399	211546		fin	109727		321273					321273	0
Paid Up Capital		1771287		1838560		67273	fin	67273		0					67273	67273
Capital Rsv - ordinary		104000		53583	50417		nc	21550	71967	0						
Capital Rsv - exhange		103046		172831		69785	nc	179512	109727	0						
Capital Rsv - revaluation		1494081		1489057	5024		nc		5024	0						
Capital Rsv - premium on shares		1140636		1205363		64727	fin	64727		0					64727	64727
Capital Rsv - consol.		-681023		-722974	41951					41951						
Reserve Acct		27119		27119		0	nc			0						
Unappropriated Profits		822454		1104937		282483	nc	282483		0						
	11636996	11636996	13310169	13310169												
P&L																
Revenue						12507047	op		21550	-12528597	0	12528597				
Dividends received						8488	op			-8488	0	8488				
Operating Expenses					10835293		op			10835293	10835293	0				
Depreciation					746932		nc		746932	0						
Interest					350358		op			350358	350358	0				
Directors Fees					11950		op			11950	11950	0				
Audit Fee					15660		op			15660	15660	0				
Tax expense					101426		op		104441	-3015	101426	104441				
Goodwill written off					27500		nc		27500	0						
Proposed Dividend					215900		op		11317	204583	215900	11317				
Transfer from Capital Reserves						71967	nc	71967		0						
NP trsf to Appn Acct					282483		nc		282483	0						
Operating Cashflow											12171146	13502799				
Investing Cashflow													2062952	337000		
Financing Cashflow															453273	409124
Net					15000007	15000007					1331653		-1725952		-44149	
Change in Cash Position																
Cash On Hand					-45882											
BNZ					-434517											
					-480399					-438448						
									41951							

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1975

	1975		1976		Change			Adjustments			Operating		Investing		Financing	
Cash	75615		108051			-32436				32436						
Debtors & Prepayments	1875028		1778839		-96189		op			-96189	-96189	0				
Stock	833607		1202895		369288		op			369288	369288	0				
Shares in Other Companies	147080		273339		126259		inv			126259			126259	0		
Life Insurance Policies	2680		2942		262		inv			262			262	0		
Land	1369490		1224890		-144600		inv			-144600			-144600	0		
Buildings	2285928		2409693		123765		inv	46203		169968			169968	0		
Land Dvlpmt	250432		272897		22465		inv			22465			22465	0		
Motor Vehicles & Plant	3059613		3147220		87607		inv	837069	66000	858676			924676	66000		
Aircraft	3410696		3240736		-169960		inv	88159	78588	-160389			-81801	78588		
BNZ		511080		437354		-73726				73726						
Creditors		2481691		2037566	444125		op			444125	444125	0				
Provision for Dividend		215900		221227		5327	nc	5327		0						
Loan repayments due this year		824511		978980		154469	fin			-154469					0	154469
Prvn Fluctuation For Ex (current)		38601		31743	6858		nc		6858	0						
Prvn Fluctuation For Ex (non-current)		163273		69308	93965		nc		93965	0						
Provision for Tax		789206		1154546		365340	nc	365340		0						
Convertible Notes				828000		828000	fin			-828000					0	828000
Unsecured conv notes		426258		426258		0	fin			0					0	0
Debentures & Mortgages		1120774		807983	312791		fin			312791					312791	0
Loans on Aircraft & Vehicles		1570399		1256335	314064		fin		24166	289898					314064	24166
Paid Up Capital		1838560		1868560		30000	fin	30000		0					30000	30000
Capital Rsv - ordinary		53583		60342		6759	nc	80501	73742	0						
Capital Rsv - exhange		172831		196997		24166	nc	24166		0						
Capital Rsv - revaluation		1489057		1400898	88159		nc		88159	0						
Capital Rsv - premium on shares		1205363		1241363		36000	fin	36000		0					36000	36000
Capital Rsv - consol.		-722974		-719122	-3852			2900		-952						
Reserve Acct		27119		27119		0	nc			0						
Unappropriated Profits		1104937		1336045		231108	nc	231108		0						
	13310169	13310169	13661502	13661502												
P&L																
Revenue						14462646	op			-14462646	0	14462646				
Dividends received						783	op			-783	0	783				
Operating Expenses					12508993		op	100823		12609816	12609816	0				
Depreciation					837069		nc		837069	0						
Interest					375329		op			375329	375329	0				
Directors Fees					10800		op			10800	10800	0				
Audit Fee					22907		op			22907	22907	0				
Tax expense					280635		op		365340	-84705	280635	365340				
Goodwill written off					2900		nc		2900	0						
Proposed Dividend					221227		op		5327	215900	221227	5327				
Loss on sale of assets					46203		inv		48116	-1913			46203	48116		
Transfer from Capital Reserves						73742	nc	73742		0						
NP trsf to Appn Acct					231108		nc		231108	0						
Operating Cashflow											14237938	14834096				
Investing Cashflow													1063432	192704		
Financing Cashflow															692855	1072635
Net					16112178	16112178					596158		-870728		379780	

Change in Cash Position				
Cash On Hand	32436			
BNZ	73726			
	106162			105210
			-952	

Capital Rvs ord $1913 part recovery of loss on Sthn Lakes Hotel Ltd - an investing cash flow shown against losses on sale of assets

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	1976		1977		Change			Adjustments			Operating		Investing		Financing	
Cash	108051		33108			74943				-74943						
Debtors & Prepayments	1778839		2293588		514749		op			514749	514749	0				
Stock	1202895		2029427		826532		op			826532	826532	0				
Shares in Other Companies	273339		878855		605516		inv			605516			605516	0		
Life Insurance Policies	2942		3203		261		inv			261			261	0		
Land	1224890		1423708		198818		inv			198818			198818	0		
Buildings	2409693		2420692		10999		inv	570		11569			11569	0		
Land Dvlpmt	272897		529326		256429		inv			256429			256429	0		
Motor Vehicles & Plant	3147220		3062036			85184	inv	1009668	16505	907979			1009668	101689		
Aircraft	3240736		4244047		1003311		inv			1003311			1003311	0		
BNZ		437354		1017095		579741				-579741						
Creditors		2037566		2550292		512726	op			-512726	0	512726				
Provision for Dividend		221227		250050		28823	nc	28823		0						
Loan repayments due this year		978980		1067773		88793	fin			-88793					0	88793
Short Term Loan				300000		300000	fin			-300000					0	300000
Prvn Fluctuation For Ex (current)		31743		23721	8022		nc	324	8346	0						
Prvn Fluctuation For Ex (non-current)		69308		45769	23539		nc		23539	0						
Convertible Notes		828000		828000		0	fin			0					0	0
Provision for Tax		1154546		1563466		408920	nc	408920		0						
Unsecured conv notes		426258		426258		0	fin			0					0	0
Debentures & Mortgages		807983		1110108		302125	fin			-302125					0	302125
Loans on Aircraft & Vehicles		1256335		1512557		256222	fin			-256222					0	256222
Paid Up Capital		1868560		2083747		215187	fin			-215187					0	215187
Capital Rsv - ordinary		60342		76847		16505	nc	16505		0						
Capital Rsv - exhange		196997		228882		31885	nc	31885		0						
Capital Rsv - revaluation		1400898		1400328	-570		nc		570	0						
Capital Rsv - premiums on shares		1241363		1285324		43961	fin		145862	-189823					0	189823
Capital Rsv - capital replacement fund				145862		145862	nc	145862		0						
Capital Rsv - consol.		-719122		-737276	18154					18154						
Reserve Acct		27119		27120		1	nc			-1						
Unappropriated Profits		1336045		1712067		376022	nc	376022		0						
	13661502	13661502	16917990	16917990												
P&L																
Revenue						17776440	op			-17776440	0	17776440				
Dividends received						25	op			-25	0	25				
Operating Expenses					15153797		op		324	15153473	15153797	324				
Depreciation					1009668		nc		1009668	0						
Interest					525053		op			525053	525053	0				
Directors Fees					10200		op			10200	10200	0				
Audit Fee					23664		op			23664	23664	0				
Tax expense					428011		op		408920	19091	428011	408920				
Goodwill written off							nc			0						
Proposed Dividend					250050		op		28823	221227	250050	28823				
NP trsf to Appn Acct					376022		nc		376022	0						
Operating Cashflow											17732056	18727258				
Investing Cashflow													3085572	101689		
Financing Cashflow															0	1352150
Net					21243365	21243365		2018579	2018579		995202		-2983883		1352150	
Change in Cash Position																
Cash On Hand					-74943											
BNZ					-579741											
					-654684					-636531						
									18153							

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1977

	1977		1978		Change			Adjustments			Operating		Investing		Financing	
Cash	33108		40341			-7233				7233						
Debtors & Prepayments	2293588		2874051		580463		op			580463	580463	0				
Stock	2029427		2118698		89271		op			89271	89271	0				
Shares in Other Companies	878855		827915		-50940		inv			-50940			-50940	0		
Life Insurance Policies	3203		3443		240		inv			240			240	0		
Land	1423708		1558628		134920		inv			134920			134920	0		
Buildings	2420692		2627766		207074		inv			207074			207074	0		
Land Dvlpmt	529326		606559		77233		inv			77233			77233	0		
Motor Vehicles & Plant	3062036		3091564		29528		inv		20855	8673			29528	20855		
Aircraft	4244047		3015741			1228306	inv	970853	270498	-527951			970853	1498804		
Work in Progress			300242		300242		inv			300242			300242	0		
BNZ		1017095		1249809		232714				-232714						
Creditors		2550292		2638780		88488	op			-88488	0	88488				
Provision for Dividend		250050		305521		55471	nc	55471		0						
Loan repayments due this year		1067773		1345407		277634	fin			-277634					0	277634
Prvn Fluctuation For Ex (current)		23721		24859	-1138		nc	1138		0						
Provision for Tax (current)				521081		521081	nc	521081		0						
Prvn Fluctuation For Ex (non-current)		45769		17211	28558		nc		28558	0						
Provision for Tax (non-current)		1563466		1328481		-234985	nc		234985	0						
Short Term Loan		300000			300000		fin			300000					300000	0
Convertible Notes		828000		828000	0		fin			0					0	0
Unsecured conv notes		426258			426258		fin	528	426786	0					426786	426786
Debentures & Mortgages		1110108		587691	522417		fin			522417					522417	0
Loans on Aircraft & Vehicles		1512557		1013441	499116		fin			499116					499116	0
Minority Interest				34837		34837	inv	4968	18831	-48700			4968	53668		
Paid Up Capital		2083747		2438962		355215	fin	355215		0					355215	355215
Capital Rsv - ordinary		76847		366176		289329	nc	289329		0						
Capital Rsv - exhange		228882		247327		18445	nc	18445		0						
Capital Rsv - revaluation		1400328		1421183		20855	nc	20855		0						
Capital Rsv - premiums on shares		1285324		1168882	116442		fin	71571	188013	0					188013	188013
Capital Rsv - capital replacement fund		145862		333875		188013	nc	188013		0						
Capital Rsv - consol.		-737276		-987285	250009					250009						
Reserve Acct		27120		28607		1487	nc	1487		0						
Unappropriated Profits		1712067		2152103		440036	nc	440036		0						
	16917990	16917990	17064948	17064948												
P&L																
Revenue						20955016	op		1487	-2.1E+07	0	20956503				
Dividends received						42431	op			-42431	0	42431				
Depreciation recovered						53594	nc	53594		0						
Operating Expenses					18316215		op	8975	528	18324662	18325190	528				
Depreciation					1024447		nc		1024447	0						
Interest					629013		op			629013	629013	0				
Directors Fees					17600		op			17600	17600	0				
Audit Fee					28650		op			28650	28650	0				
Tax expense					284591		op		286096	-1505	284591	286096				
Goodwill written off							nc			0						
Proposed Dividend					305521		op		55471	250050	305521	55471				
Gain on sale of assets						270498	nc	270498		0						
Minority Interest					4968		nc		4968	0						
Transfer to Capital Reserves					270498		nc		270498	0						
NP trsf to Appn Acct					440036		nc		440036	0						
Operating Cashflow											20260299	21429517				
Investing Cashflow													1674118	1573327		
Financing Cashflow															2291547	1247648
Net					24831232	24831232					1169218		-100791		-1043899	
Change in Cash Position																
Cash On Hand					7233											
BNZ					-232714											
					-225481					24528						
									250009							

Convertible notes exchanged for 355215 shares plus premium of 71571. Balance $528 reversed from operating expenses.
Increase in Revenue Rsv in Parent Company report. No P&L statement to check this.
Capital Rsv ord assumed 18831 from consol Reversed to Minority interest, increasing inv outflow.

	1978		1979		Change			Adjustments			Operating		Investing		Financing	
Cash	40341		18671			21670				-21670						
Trade Debtors	2255978		2401744		145766		op			145766	145766	0				
Other Receivables & Prepayments	604194		558567			45627	op			-45627	0	45627				
Stock	2118698		2385669		266971		op			266971	266971	0				
Term Debtors	13879		100127		86248		op			86248	86248	0				
Investments in Other Company	717448		875463		158015		inv			158015			158015	0		
Other Investments	113910		89215			24695	inv		1818	-26513			0	26513		
Land	1558628		1561783		3155		inv			3155			3155	0		
Buildings	2627766		2631996		4230		inv	85698	117282	-27354			89928	117282		
Land Dvlpmt	606559		597260			9299	inv			-9299			0	9299		
Motor Vehicles & Plant	3091564		3032171			59393	inv	944511	2000	883118			944511	61393		
Aircraft	3015741		5140246		2124505		inv		2389127	-264622			2124505	2389127		
Work in Progress	300242		410326		110084		inv			110084			110084	0		
BNZ		1249809		1447288		197479				-197479						
Creditors		2638780		2454342	184438		op			184438	184438	0				
Provision for Dividend		305521		447047		141526	nc	141526		0						
Loan repayments due this year		1345407		826786	518621		fin			518621					518621	0
Prvn Fluctuation For Ex (current)		24859		-10778	35637		nc		35637	0						
Provision for Tax (current)		521081		697377		176296	nc	113189		-63107						
Short Term Loan				250000		250000	fin			-250000					0	250000
Prvn Fluctuation For Ex (non-current)		17211		-14062	31273		nc		31273	0						
Provision for Tax (non-current)		1328481		1265374		-63107	nc	113189		176296						
Convertible Notes		828000		828000	0		fin			0					0	0
Debentures & Mortgages		587691		568489	19202		fin			19202					19202	0
Loans on Aircraft & Vehicles		1013441		924958	88483		fin			88483					88483	0
Minority Interest		34837		61361		26524	inv	46210		19686			46210	26524		
Paid Up Capital		2438962		4064063		1625101	fin	1625101		0					1625101	1625101
Capital Rsv - ordinary		366176		483458		117282	nc	117282		0						
Capital Rsv - exhange		247327		263068		15741	nc	15741		0						
Capital Rsv - revaluation		1421183		2101511		680328	nc	2391127	1710799	0						
Capital Rsv - premiums on shares		1168882		926856	242026		fin	3606	243844	1788					245632	243844
Capital Rsv - capital replacement fund		333875		575931		242056	nc	243844	1788	0						
Capital Rsv - consol.		-987285		-1075095	87810					87810						
Retained Profits		2180710		2717264		536554	nc	570052	33498	0						
	17064948	17064948	19803238	19803238												
P&L																
Gross Revenue						23278766	op	51169		-23227597	51169	23278766				
Dividends received						66370	op			-66370	0	66370				
Depreciation recovered						138238	nc	138238		0						
Non-operating Revenue						105511	op			-105511	0	105511				
Operating Expenses					19623017		op			19623017	19623017	0				
Lease charges					727557		op			727557	727557	0				
Depreciation					1082749		nc		1082749	0						
Interest					545555		op			545555	545555	0				
Directors Fees					17600		op			17600	17600	0				
Audit Fee					35647		op			35647	35647	0				
Tax expense					526949		op		113189	413760	526949	113189				
Goodwill written off							nc			0						
Proposed Dividend					447047		op		141526	305521	447047	141526				
Realised gain on foreign exchange						15741	nc	15741		0						
Minority Interest					12712		nc		12712	0						
Transfer to Capital Replacement Fund					243844		nc		243844	0						
Transfer to Capital Reserves					15741		nc	243844	15741	243844						
Transfer from Ret Earnings					34787		nc		34787	0						
NP trsf to Appn Acct					291421		nc		535265	-243844						
Operating Cashflow											22657964	23750989				
Investing Cashflow													3476408	2630138		
Financing Cashflow															2497039	2118945
Net					27711090	27711090					1093025		-846270		-378094	
Change in Cash Position																
Cash On Hand					-21670											
BNZ					-197479											
					-219149					-131339						
									87810							

Addition of Petricevich Motors Ltd, addition to capital rsv of 33498, rvsd against Minority Interest.

	1979		1980		Change			Adjustments			Operating		Investing		Financing	
Cash	18671		110611			-91940				91940						
Trade Debtors	2401744		3552021		1150277		op			1150277	1150277	0				
Other Receivables & Prepayments	558567		808580		250013		op			250013	250013	0				
Stock	2385669		3037646		651977		op			651977	651977	0				
Term Debtors	100127		137159		37032		op			37032	37032	0				
Investments in Assoc Company	903420		903420		0		inv			0			0	0		
Investments in Other Company	40793		40793		0		inv			0			0	0		
Other investments	20465		23109		2644		inv			2644			2644	0		
Land	1561783		1576474		14691		inv			14691			14691	0		
Buildings	2631996		2702107		70111		inv			70111			70111	0		
Land Dvlpmt	597260		647896		50636		inv			50636			50636	0		
Motor Vehicles & Plant	3032171		3637216		605045		inv	1231474		1836519			1836519	0		
Aircraft	5140246		5228508		88262		inv			88262			88262	0		
Work in Progress	410326		394182			16144	inv			-16144			0	16144		
BNZ		1447288		1729331		282043				-282043						
Creditors		2454342		3390632		936290	op			-936290	0	936290				
Provision for Dividend		447047		497563		50516	nc	50516		0						
Loan repayments due this year		826786		927312		100526	fin			-100526					0	100526
Prvn Fluctuation For Ex (current)		-10778		-36755	25977		nc	31227	57204	0						
Provision for Tax (current)		697377		163778	533599		nc		533599	0						
Short Term Loan		250000			250000		fin			250000					250000	0
Prvn Fluctuation For Ex (non-current)		-14062		-19147	5085		nc		5085	0						
Provision for Tax (non-current)		1265374		1308020	-42646		nc	42646		0						
Convertible Notes		828000			828000		fin		828000	0					828000	828000
Debentures & Mortgages		568489		1018265		449776	fin			-449776					0	449776
Loans on Aircraft & Vehicles		924958		622188	302770		fin			302770					302770	0
Minority Interest		61361		61768		407	inv	6707		6300			6707	407		
Paid Up Capital		4064063		6224145		2160082	fin	1287234	744509	-1617357					1287234	2904591
Capital Rsv - ordinary		483458		650253		166795	nc	166795		0						
Capital Rsv - exhange		263068		231841	31227		nc		31227	0						
Capital Rsv - revaluation		2101511		1642277	459234		nc		459234	0						
Capital Rsv - premiums on shares		926856		1402529		475673	fin	747070	271398	-1					747070	747071
Capital Rsv - capital replacement fund		575931		844767		268836	nc	271398	2561	1						
Capital Rsv - consol		-1075095		-1074095		1000		1000		0						
Retained Profits		2717264		3215050		497786	nc	497786		0						
	15803238	15803238	22799722	22799722												
P&L																
Gross Revenue						32370061	op			-3.2E+07	0	32370061				
Dividends received						78064	op			-78064	0	78064				
Depreciation recovered						8661	nc	8661		0						
Profit on Disposal of Asset						166795	inv			-166795			0	166795		
Operating Expenses					28102763		op	62289		28165052	28165052	0				
Lease charges					1134283		op			1134283	1134283	0				
Depreciation					1240135		nc		1240135	0						
Interest					681648		op			681648	681648	0				
Directors Fees					30000		op			30000	30000	0				
Audit Fee					43121		op			43121	43121	0				
Tax expense					214184		op	490953		705137	705137	0				
Goodwill written off					1000		nc		1000	0						
Legal expenses					7596		op			7596	7596	0				
Proposed Dividend					497563		op		50516	447047	497563	50516				
Realised loss on foreign exchange					31227		nc		31227	0						
Minority Interest					6707		nc		6707	0						
Transfer to Capital Replacement Fund					271398		nc		271398	0						
Transfer to Capital Reserves					135568		nc	271398	135568	271398						
NP trsf to Appn Acct					226388		nc		497786	-271398						
Operating Cashflow											33353699	33434931				
Investing Cashflow													2069570	183346		
Financing Cashflow															3415074	5029964
Net					37937515	37937515					81232		-1886224		1614890	
Change in Cash Position																
Cash On Hand					91940											
BNZ					-282043											
					-190103					-190102						
									1							

Sale and lease back of ZK-MCJ resulted in profit on disposal of asset $159162
Minority Interest reduction $6300 - no explanation?
Premium on shares non-cash $744509 on shares issued to NZI Co Ltd

	1980		1981		Change			Adjustments			Operating		Investing		Financing	
Cash	111000		153000		42000					42000						
Trade Debtors	3552000		3925000		373000		op			373000	373000	0				
Other Receivables & Prepayments	808000		1356000		548000		op			548000	548000	0				
Stock	3038000		3334000		296000		op			296000	296000	0				
Tax Refund Due			782000		782000		op		782000	0	782000	782000				
Term Debtors	137000		162000		25000		op			25000	25000	0				
Investments in Assoc Company	903000		2989000		2086000		inv			2086000			2086000	0		
Investments in Other Company	41000		36000			5000	inv			-5000			0	5000		
Other Investments	24000		120000		96000		inv			96000			96000	0		
Land	1576000		1530000			46000	inv			-46000			0	46000		
Buildings	2702000		2593000			109000	inv	1257000		1148000			1257000	109000		
Land Dvlpmt	648000		743000		95000		inv			95000			95000	0		
Motor Vehicles & Plant	3637000		5133000		1496000		inv		1421000	75000			1496000	1421000		
Aircraft	5229000		4998000			231000	inv			-231000			0	231000		
Work in Progress	394000		448000		54000		inv			54000			54000	0		
BNZ		1729000		945000	784000					784000						
Loan repayments due this year		927000		579000	348000		fin			348000					348000	0
Creditors		3264000		4611000		1347000	op			-1347000	0	1347000				
Provision Fluctuation For Ex (current)		-37000		-24000		13000	nc	13000		0						
Provision for Dividend		498000		809000		311000	nc	311000		0						
Provision for Tax		1472000		1295000	177000		nc		177000	0						
Provision for Maintenance		127000		233000		106000	nc	106000		0						
Debentures & Mortgages		1018000		825000	193000		fin			193000					193000	0
Provision Fluctuation For Ex (non-current)		-19000		-19000		0	nc			0						
Loans on Aircraft & Vehicles		622000		414000	208000		fin			208000					208000	0
Minority Interest		62000		63000		1000	inv	1000		0			1000	1000		
Paid Up Capital		6224000		6224000	0		fin			0					0	0
Specified Preference Capital				2489000		2489000	fin			-2489000					0	2489000
Capital Rsv - share premium		1425000		1427000		2000	fin	2000		0					2000	2000
Capital Rsv - revaluation		1642000		3063000		1421000	nc	1421000		0						
Capital Rsv - exhange		232000		81000	151000		nc		150000	1000						
Capital Rsv - ordinary		628000		191000	437000		nc	150000	587000	0						
Capital Rsv - capital replacement fund		845000		843000	2000		nc		2000	0						
Capital Rsv - consol.		-1074000		-1073000		1000				-1000						
Retained Profits		3215000		5326000		2111000	nc	2111000		0						
	22800000	22800000	28302000	28302000												
P&L																
Gross Revenue						38587000	op			-38587000	0	38587000				
Export Performance Incentive						846000	op			-846000	0	846000				
Dividends received						280000	op			-280000	0	280000				
Profit on Disposal of Asset						242000	inv			-242000			0	242000		
Operating Expenses					34184000		op		119000	34065000	34184000	119000				
Lease charges					1337000		op			1337000	1337000	0				
Depreciation					1257000		nc		1257000	0						
Interest					618000		op			618000	618000	0				
Directors Fees					30000		op			30000	30000	0				
Directors Retirement Allowance					8000		op			8000	8000	0				
Audit Fee					45000		op			45000	45000	0				
Tax expense					121000		op	959000		1080000	1080000	0				
Extraordinary items?					21000		op			21000	21000	0				
Legal expenses							op			0	0	0				
Proposed Dividend					809000		op		311000	498000	809000	311000				
Realised loss on foreign exchange							nc			0						
Minority Interest					1000		nc		1000	0						
Transfer to Capital Replacement Fund							nc			0						
Transfer to Capital Reserves					222000	809000	nc	587000		0						
NP trsf to Appn Acct					2111000		nc		2111000	0						
Operating Cashflow											40156000	42272000				
Investing Cashflow													5085000	2055000		
Financing Cashflow															751000	2491000
Net					48957000	48957000					2116000		-3030000		1740000	
Change in Cash Position																
Cash On Hand					42000											
BNZ					784000											
					826000					826000						
									0							

	1981		1982		Change			Adjustments			Operating		Investing		Financing	
Cash	153000		532000		379000					379000						
Trade Debtors	3925000		4825000		900000		op			900000	900000	0				
Other Receivables & Prepayments	1356000		1082000			274000	op			-274000	0	274000				
Stock	3334000		4016000		682000		op			682000	682000	0				
Tax Refund Due	782000		605000			177000	op			-177000	0	177000				
Term Debtors	162000		200000		38000		op			38000	38000	0				
Investments in Assoc Company	2989000		3340000		351000		inv			351000			351000	0		
Investments in Other Company	36000		36000			0	inv			0			0	0		
Other Investments	120000		135000		15000		inv			15000			15000	0		
Land	1530000		1822000		292000		inv			292000			292000	0		
Buildings	2593000		2934000		341000		inv			341000			341000	0		
Land Dvlpmt	743000		698000			45000	inv			-45000			0	45000		
Motor Vehicles & Plant	5133000		6322000		1189000		inv		49000	1140000			1189000	49000		
Aircraft	4998000		5637000		639000		inv	2138000		2777000			2777000	0		
Leasehold Interest in Equipment	4350000		4358000		8000		inv			8000			8000	0		
Work in Progress	448000		540000		92000		inv			92000			92000	0		
BNZ		945000		1719000		774000				-774000						
Loan repayments due this year		579000		741000		162000	fin			-162000					0	162000
Creditors		4623000		5523000		900000	op			-900000	0	900000				
Provision Fluctuation For Ex		-44000				44000	nc	44000		0						
Provision for Dividend		809000		809000		0	nc			0						
Capitalised Lease Obligations (current)		846000		1266000	-420000		inv			-420000			-420000	0		
Provision for Tax		1339000		1533000		194000	nc	194000		0						
Provision for Maintenance		233000		469000		236000	nc	236000		0						
Debentures & Mortgages		825000		1455000		630000	fin			-630000					0	630000
Loans on Aircraft & Vehicles		414000		305000	109000		fin			109000					109000	0
Capitalised Lease Obligations (non-current)		3817000		3041000	776000		inv			776000			776000	0		
Minority Interest		63000		57000	6000		inv	3000		9000			9000	0		
Paid Up Capital		6224000		6224000	0		fin			0					0	0
Specified Preference Capital		2489000		2489000		0	fin			0					0	0
Capital Rsv - ordinary		191000		320000		129000	nc	129000		0						
Capital Rsv - exhange		81000		66000	15000		nc		15000	0						
Capital Rsv - revaluation		3063000		3112000		49000	nc	49000		0						
Capital Rsv - premiums on shares		1427000		618000	809000		fin		809000	0					809000	809000
Capital Rsv - capital replacement fund		843000		1652000		809000	nc	809000		0						
Capital Rsv - consol.		-1073000		-1072000		1000	nc			-1000						
Retained Profits		4958000		6755000		1797000	nc	1797000		0						
	32652000	32652000	37082000	37082000												
P&L																
Gross Revenue						46109000	op			-4.6E+07	0	46109000				
Export Performance Incentive						1032000	op			-1032000	0	1032000				
Dividends received						240000	op			-240000	0	240000				
Profit on Disposal of Asset						33000	inv			-33000			0	33000		
Exchange Gains						12000	op	15000	44000	-41000	15000	56000				
Operating Expenses					40319000		op		236000	40083000	40319000	236000				
Depreciation					2138000		nc		2138000	0						
Interest					1201000		op			1201000	1201000	0				
Directors Fees					30000		op			30000	30000	0				
Audit Fee					65000		op			65000	65000	0				
Tax expense					562000		op		194000	368000	562000	194000				
Prior period adjustment							op			0	0	0				
Proposed Dividend					1182000		op			1182000	1182000	0				
Minority Interest					3000		nc		3000	0						
Transfer to Capital Replacement Fund					809000		nc		809000	0						
Transfer to Capital Reserves					129000	809000	nc	809000	129000	0						
NP trsf to Appn Acct					1797000		nc		1797000	0						
Operating Cashflow											44994000	49218000				
Investing Cashflow													5430000	127000		
Financing Cashflow															918000	1601000
Net					54456000	54456000					4224000		-5303000		683000	
Change in Cash Position																
Cash On Hand					379000											
BNZ					-774000											
					-395000					-396000						
									-1000							

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	1982		1983		Change			Adjustments			Operating		Investing		Financing	
Cash	532000		122000			410000				-410000						
Trade Debtors	4825000		4824000			1000	op			-1000	0	1000				
Other Receivables & Prepayments	1082000		1174000		92000		op			92000	92000	0				
Tax Refund Due	605000		2152000		1547000		op			1547000	1547000	0				
Stock	4016000		4505000		489000		op			489000	489000	0				
Term Debtors	200000		236000		36000		op			36000	36000	0				
Investments in Assoc Company	3340000					3340000	inv	50000		-3290000			50000	3340000		
Investments in Other Company	36000		36000			0	inv			0			0	0		
Other Investments	135000		238000		103000		inv			103000			103000	0		
Land	1822000		1986000		164000		inv			164000			164000	0		
Buildings	2934000		3069000		135000		inv			135000			135000	0		
Land Dvlpmt	698000		687000			11000	inv			-11000			0	11000		
Motor Vehicles & Plant	6322000		9978000		3656000		inv	1919000	4000	5571000			5575000	4000		
Aircraft	5637000		5590000			47000	inv			-47000			0	47000		
Leasehold Interest in Equipment	4358000		3789000			569000	inv			-569000			0	569000		
Work in Progress	540000		1229000		689000		inv			689000			689000	0		
BNZ		1719000		3043000		1324000				-1324000						
Creditors		5523000		5738000		215000	op			-215000	0	215000				
Loan repayments due this year		741000		836000		95000	fin			-95000					0	95000
Provision for Dividend		809000		809000		0	nc			0						
Capitalised Lease Obligations (current)		1266000		1202000	64000		inv			64000			64000	0		
Provision for Tax		1533000		2112000		579000	nc	579000		0						
Provision for Maintenance		469000		839000		370000	nc	370000		0						
Mortgages		1455000		1856000		401000	fin			-401000					0	401000
Loans on Aircraft & Vehicles		305000		175000	130000		fin			130000					130000	0
Capitalised Lease Obligations (non-current)		3041000		1886000	1155000		inv			1155000			1155000	0		
Minority Interest		57000		65000		8000	inv	13000		5000			13000	8000		
Paid Up Capital		6224000		6224000	0		fin			0					0	0
Specified Preference Capital		2489000		2489000		0	fin			0					0	0
Capital Rsv - ordinary realised		284000		945000		661000	nc	1470000	809000	0						
Capital Rsv - ordinary unrealised		36000				-36000	nc		36000	0						
Capital Rsv - exhange		66000		66000	0		nc			0						
Capital Rsv - revaluation		3112000		1710000	1402000		nc	54000	1456000	0						
Capital Rsv - premiums on shares		618000		718000		100000	fin	100000		0					100000	100000
Capital Rsv - capital replacement fund		1652000		1552000	100000		nc		100000	0						
Capital Rsv - consol		-1072000		-1043000		29000	nc	29000		0						
Retained Profits		6755000		8393000		1638000	nc	1688000	50000	0						
	37082000	37082000	39615000	39615000												
P&L																
Gross Revenue						50821000	op			-50821000	0	50821000				
Export Performance Incentive						1159000	op			-1159000	0	1159000				
Dividends received						2000	op			-2000	0	2000				
Profit on Disposal of Asset						64000	inv	36000		-28000			36000	64000		
Exchange Gains							op			0	0	0				
Operating Expenses					47101000		op		370000	46731000	47101000	370000				
Depreciation					1919000		nc		1919000	0						
Interest					1072000		op			1072000	1072000	0				
Directors Fees					30000		op			30000	30000	0				
Directors Retirement Allowance					10000		op			10000	10000	0				
Audit Fee					71000		op			71000	71000	0				
Tax expense						324000	op		579000	-903000	0	903000				
Realisation of Revaluation Rsv						1456000	nc	1456000		0						
Goodwill write-off					50000		nc		50000	0						
Proposed Dividend					1182000		op			1182000	1182000	0				
Minority Interest					13000		nc		13000	0						
Transfer to Capital Replacement Fund							nc			0						
Transfer to Capital Reserves					1520000	809000	nc	809000	1520000	0						
NP trsf to Appn Acct					1667000		nc		1667000	0						
Operating Cashflow											51630000	53471000				
Investing Cashflow													7984000	4043000		
Financing Cashflow															230000	596000
Net					64397000	64397000					1841000		-3941000		366000	
Change in Cash Position																
Cash On Hand					-410000											
BNZ					-1324000											
					-1734000					-1734000						
									0							

	1983		1984		Change			Adjustments			Operating		Investing		Financing	
Cash	122000		693000		571000					571000						
Trade Debtors	4824000		6145000		1321000		op			1321000	1321000	0				
Other Receivables & Prepayments	1174000		2470000		1296000		op			1296000	1296000	0				
Tax Refund Due	2152000		1919000			233000	op			-233000	0	233000				
Stock	4505000		5139000		634000		op			634000	634000	0				
Term Debtors	236000		270000		34000		op			34000	34000	0				
Investments in Other Company	36000		30000			6000	inv			-6000			0	6000		
Other Investments	238000		189000			49000	inv			-49000			0	49000		
Land	1986000		1658000			328000	inv			-328000			0	328000		
Buildings	3069000		4604000		1535000		inv			1535000			1535000	0		
Land Dvlpmt	687000		672000			15000	inv			-15000			0	15000		
Motor Vehicles & Plant	9978000		10859000		881000		inv	2609000		3490000			3490000	0		
Aircraft	5590000		9531000		3941000		inv	394000		4335000			4335000	0		
Leasehold Interest in Equipment	3789000		3201000			588000	inv			-588000			0	588000		
Work in Progress	1229000		1793000		564000		inv			564000			564000	0		
BNZ		3043000		1341000	1702000					1702000						
Creditors		5738000		9478000		3740000	op			-3740000	0	3740000				
Loan repayments due this year		836000		1568000		732000	fin			-732000					0	732000
Provision for Dividend		809000		1120000		311000	nc	311000		0						
Capitalised Lease Obligations (current)		1202000		1041000	161000		inv			161000			161000	0		
Provision for Tax		2112000		3028000		916000	nc	916000		0						
Provision for Maintenance		839000		1266000		427000	nc	427000		0						
Loans and Mortgages		2031000		5503000		3472000	fin			-3472000					0	3472000
Capitalised Lease Obligations (non-current)		1886000		937000	949000		inv			949000			949000	0		
Minority Interest		65000		71000		6000	inv	19000		13000			19000	6000		
Paid Up Capital		6224000		6224000	0		fin			0					0	0
Specified Preference Capital		2489000		2489000		0	fin			0					0	0
Capital Rsv - ordinary		1011000		721000	290000		nc	831000	1120000	1000						
Capital Rsv - revaluation		1733000		1339000	394000		nc		394000	0						
Capital Rsv - premiums on shares		695000		695000		0	fin			0					0	0
Capital Rsv - capital replacement fund		1552000		1552000	0		nc			0						
Capital Rsv - consol.		-1043000		-1037000		6000	nc			-6000						
Retained Profits		8393000		11837000		3444000	nc	3444000		0						
	39615000	39615000	49173000	49173000												
P&L																
Gross Revenue						64584000	op			-6.5E+07	0	64584000				
Export Performance Incentive						1579000	op			-1579000	0	1579000				
Dividends received						2000	op			-2000	0	2000				
Profit on Disposal of Asset						123000	inv			-123000			0	123000		
Profit on Sale of Napier Terminal						721000	inv			-721000			0	721000		
Operating Expenses					57516000		op	97000	427000	57186000	57613000	427000				
Depreciation					2609000		nc		2609000	0						
Interest					1157000		op			1157000	1157000	0				
Directors Fees					30000		op			30000	30000	0				
Directors Retirement Allowance					23000		op			23000	23000	0				
Audit Fee					71000		op			71000	71000	0				
Tax expense					839000		op		916000	-77000	839000	916000				
Provision for Exhange Loss					97000		nc		97000	0						
Proposed Dividend					1493000		op		311000	1182000	1493000	311000				
Minority Interest					19000		nc		19000	0						
Transfer to Capital Replacement Fund							nc			0						
Transfer to Capital Reserves					831000	1120000	nc	1120000	831000	0						
NP trsf to Appn Acct					3444000		nc		3444000	0						
Operating Cashflow											64511000	71792000				
Investing Cashflow													11053000	1836000		
Financing Cashflow															0	4204000
Net					82402000	82402000					7281000		-9217000		4204000	
Change in Cash Position																
Cash On Hand					571000											
BNZ					1702000											
					2273000					2268000						
									-5000							

	1984		1985		Change			Adjustments			Operating		Investing		Financing	
Cash	693000		964000		271000					271000						
Trade Debtors	6145000		7279000		1134000		op			1134000	1134000	0				
Other Receivables & Prepayments	2470000		3211000		741000		op			741000	741000	0				
Tax Refund Due	1919000		5139000		3220000		op			3220000	3220000	0				
Stock	5139000		7371000		2232000		op			2232000	2232000	0				
Term Debtors	270000		298000		28000		op			28000	28000	0				
Investments in Other Companies	30000		40000		10000		inv			10000			10000	0		
Other Investments	189000		163000			26000	inv			-26000			0	26000		
Land	1658000		1614000			44000	inv			-44000			0	44000		
Buildings	4604000		5062000		458000		inv			458000			458000	0		
Land Dvlpmt	672000		470000			202000	inv			-202000			0	202000		
Major Revenue Earning Assets	18254000		21968000		3714000		inv	3490000		7204000			7204000	0		
Other Plant & Fittings	2136000		2903000		767000		inv			767000			767000	0		
Leasehold Interest in Equipment	3201000		2681000			520000	inv			-520000			0	520000		
Work in Progress	1793000		7701000		5908000		inv			5908000			5908000	0		
BNZ		1341000		3062000		1721000				-1721000						
Creditors		9478000		10790000		1312000	op			-1312000	0	1312000				
Loan repayments due this year		1568000		2262000		694000	fin			-694000					0	694000
Provision for Dividend		1120000		1434000		314000	nc	314000		0						
Capitalised Lease Obligations (current)		1041000		228000	813000		inv			813000			813000	0		
Provision for Tax		3028000		4300000		1272000	nc	1272000		0						
Provision for Maintenance		1266000		1186000	80000		nc		80000	0						
Loans and Mortgages		5503000		10828000		5325000	fin			-5325000					0	5325000
Capitalised Lease Obligations (non-current)		937000		725000	212000		inv			212000			212000	0		
Minority Interest		71000		101000		30000	inv	50000		20000			50000	30000		
Paid Up Capital		6224000		7966000		1742000	fin			-1742000					0	1742000
Specified Preference Capital		2489000		2489000		0	fin			0					0	0
Capital Rsv - premiums on shares		695000		5049000		4354000	fin			-4354000					0	4354000
Capital Rsv - revaluation		1339000		1307000	32000		nc		32000	0						
Capital Rsv - ordinary		721000		1548000		827000	nc	827000		0						
Capital Rsv - capital replacement		1552000		1552000	0		nc			0						
Capital Rsv - consol.		-1037000		-1037000		0	nc			0						
Retained Profits		11837000		13074000		1237000	nc	1237000		0						
	49173000	49173000	66864000	66864000												
P&L																
Gross Revenue						79447000	op			-7.9E+07	0	79447000				
Export Performance Incentive						2438000	op			-2438000	0	2438000				
Dividends received							op			0	0	0				
Profit on Disposal of Asset						287000	inv			-287000			0	287000		
Sale of various Operations						541000	inv			-541000			0	541000		
Operating Expenses					74601000		op	138000		74739000	74739000	0				
Depreciation					3490000		nc		3490000	0						
Interest					1758000		op			1758000	1758000	0				
Directors Fees					62000		op			62000	62000	0				
Directors Retirement Allowance							op			0	0	0				
Audit Fee					97000		op			97000	97000	0				
Tax expense						1242000	op		1272000	-2514000	0	2514000				
Unrealised Exhange Loss					58000		nc		58000	0						
Proposed Dividend					1807000		op		314000	1493000	1807000	314000				
Minority Interest					50000		nc		50000	0						
Transfer to Capital Replacement Fund							nc			0						
Transfer to Capital Reserves					795000		nc		795000	0						
NP trsf to Appn Acct					1237000		nc		1237000	0						
Operating Cashflow											85818000	86025000				
Investing Cashflow													15422000	1650000		
Financing Cashflow															0	12115000
Net					1.04E+08	1.04E+08					207000		-13772000		12115000	
Change in Cash Position																
Cash On Hand					271000											
BNZ					-1721000											
					-1450000					-1450000						
									0							

$'000	1985		1986		Change			Adjustments			Operating		Investing		Financing	
Cash	964		856			108				-108						
Trade Debtors	7279		7613		334		op			334	334	0				
Other Receivables & Prepayments	3211		3589		378		op			378	378	0				
Tax Refund Due	5139		4032			1107	op			-1107	0	1107				
Stock	7371		7748		377		op			377	377	0				
Term Debtors	298		325		27		op			27	27	0				
Investments in Other Companies	40		40		0		inv			0			0	0		
Other Investments	163		130			33	inv			-33			0	33		
Land	1614		1282			332	inv			-332			0	332		
Buildings	5062		9209		4147		inv			4147			4147	0		
Land Dvlpmt	470		3004		2534		inv			2534			2534	0		
Major Revenue Earning Assets	21968		30505		8537		inv	3997		12534			12534	0		
Other Plant & Fittings	2903		3590		687		inv			687			687	0		
Leasehold Interest in Equipment	2681		229			2452	inv			-2452			0	2452		
Work in Progress	7701		1732			5969	inv			-5969			0	5969		
BNZ		3062		4152		1090				-1090						
Creditors		10790		12808		2018	op			-2018	0	2018				
Loan repayments due this year		2262		1939	323		fin			323					323	0
Provision for Dividend		1434		1434		0	nc			0						
Provision for Tax		4300		4938		638	nc	638		0						
Provision for Maintenance		1186		1094	92		nc		92	0						
Loans and Mortgages		10828		15121		4293	fin			-4293					0	4293
Capitalised Lease Obligations		953		101	852		inv			852			852	0		
Minority Interest		101		171		70	inv	170		100			170	70		
Paid Up Capital		7966		7966		0	fin			0					0	0
Specified Preference Capital		2489		2489		0	fin			0					0	0
Capital Rsv - share premium		5049		5049		0	fin			0					0	0
Capital Rsv - revaluation		1307		1281	26		nc		26	0						
Capital Rsv - ordinary		1548		2508		960	nc	960		0						
Capital Rsv - capital replacement		1552		1552	0		nc			0						
Capital Rsv - consol.		-1037		-1062	25		inv			25			25	0		
Retained Profits		13074		12343	731		nc		731	0						
	66864	66864	73884	73884												
P&L																
Gross Revenue						91634	op			-91634	0	91634				
Export Performance Incentive						1539	op			-1539	0	1539				
Tourist Promotion Incentive						2297	op			-2297	0	2297				
Grants received						297	op			-297	0	297				
Extraordinary Items						850	inv	26		-824			26	850		
Profit on Disposal of Asset						630	inv			-630			0	630		
Sale of various Operations							inv			0			0	0		
Operating Expenses					86808		op	92		86900	86900	0				
Depreciation					3997		nc		3997	0						
Interest					3413		op			3413	3413	0				
Directors Fees					48		op			48	48	0				
Directors Retirement Allowance					26		op			26	26	0				
Audit Fee					110		op			110	110	0				
Tax expense					639		op		638	1	639	638				
Proposed Dividend					1807		op			1807	1807	0				
Minority Interest					170		nc		170	0						
Transfer to Capital Replacement Fund							nc			0						
Transfer to Capital Reserves					960		nc		960	0						
NP trsf to Appn Acct						731	nc	731		0						
Operating Cashflow											94059	99530				
Investing Cashflow													20975	10336		
Financing Cashflow															323	4293
Net					117048	117048					5471		-10639		3970	
Change in Cash Position																
Cash On Hand					-108											
BNZ					-1090											
					-1198					-1198						
									0							

Consol reserve put to investing. Change caused by new subs, and Notes to Accounts state "Surpluses and goodwill arising from acquisition are disclosed in the Consolidated Balance Sheet as a deduction from Shareholders' Funds."
Bad debts written off of $230 025 from Directors' minutes 25 February 1986. (adjusting this has no effect on cashflow. Would dr a/r, cr op expenses, both coded to op cashflow)

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$'000	1986		1987		Change			Adjustments			Operating		Investing		Financing	
Cash	856		5542		4686					4686						
Trade Debtors	7613		14196		6583		op			6583	6583	0				
Other Receivables & Prepayments	3589		10579		6990		op			6990	6990	0				
Tax Refund Due	4032		2095			1937	op			-1937	0	1937				
Stock	7748		7910		162		op			162	162	0				
Term Debtors	325		353		28		op			28	28	0				
Other Investments	170		165			5	inv			-5			0	5		
Land	1282		1294		12		inv			12			12	0		
Buildings	9209		9516		307		inv			307			307	0		
Land Dvlpmt	3004		3473		469		inv			469			469	0		
Major Revenue Earning Assets	30505		33422		2917		inv	3608		6525			6525	0		
Other Plant & Fittings	3590		3581			9	inv			-9			0	9		
Leasehold Interest in Equipment	229		82			147	inv			-147			0	147		
Work in Progress	1732		1761		29		inv			29			29	0		
BNZ		4152		4252		100				-100						
Creditors		12808		20556		7748	op			-7748	0	7748				
Shot Term Borrowings				1300		1300	fin			-1300					0	1300
Loan repayments due this year		1939		4161		2222	fin			-2222					0	2222
Provision for Dividend		1434		232	1202		nc		1202	0						
Provision for Tax		4938		5195		257	nc	257		0						
Provision for Maintenance		1094		1451		357	nc	357		0						
Loans and Mortgages		15121		18313		3192	fin			-3192					0	3192
Capitalised Lease Obligations		101		23	78		inv			78			78	0		
Minority Interest		171			171		inv		43	128			171	43		
Paid Up Capital		7966		10621		2655	fin	2489		-166					2489	2655
Specified Preference Capital		2489			2489		fin		2489	0					2489	2489
Capital Rsv - share premium		5049		5282		233	fin			-233					0	233
Capital Rsv - revaluation		1281		1255	26		nc		26	0						
Capital Rsv - ordinary		2508		6878		4370	nc	4370		0						
Capital Rsv - capital replacement		1552		1552	0		nc			0						
Capital Rsv - Share Election				1680		1680	nc	1680		0						
Capital Rsv - consol.		-1062		-851		211	inv			-211			0	211		
Retained Profits		12343		12069	274		nc		274	0						
	73884	73884	93969	93969												
P&L																
Gross Revenue						93185	op			-93185	0	93185				
Export Performance Incentive						710	op			-710	0	710				
Tourist Promotion Incentive						2441	op			-2441	0	2441				
Grants received						202	op			-202	0	202				
Extraordinary Items - group restructuring						4326	inv	73		-4253			73	4326		
Profit on Disposal of Asset						302	inv	26		-276			26	302		
Sale of various Operations							inv			0			0	0		
Operating Expenses					85430		op	353	2037	83746	85783	2037				
Depreciation				7658	3608		nc		3608	0						
Interest					3821		op			3821	3821	0				
Directors Fees					50		op			50	50	0				
Directors Retirement Allowance							op			0	0	0				
Audit Fee					128		op			128	128	0				
Exhange Loss					353		nc		353	0						
Tax expense					1551		op		257	1294	1551	257				
Proposed Dividend					2099		op	1202		3301	3301	0				
Minority Interest						43	nc	43		0						
Transfer to Capital Reserves					4370		nc		4370	0						
Transfer on Sale of Subsidiary					73		nc		73	0						
NP trsf to Appn Acct						274	nc	274		0						
Operating Cashflow											108397	108517				
Investing Cashflow													7690	5043		
Financing Cashflow															4978	12091
Net					127906	127906					120		-2647		7113	
Change in Cash Position																
Cash On Hand					4686											
BNZ					-100											
					4586					4586						
									0							

Bad debts written off of $42 215 from Directors' minutes 26 May 1987. (adjusting this has no effect on cashflow. Would dr a/r, cr op expenses, both coded to op cashflow)
Increase in provision for bad debts from $15 000 to $100 411. Again, no net effect on cashflow.

$'000	1987		1988		Change			Adjustments			Operating		Investing		Financing	
Cash	5542		1059			4483				-4483						
Trade Debtors	14196		12613			1583	op			-1583	0	1583				
Other Receivables & Prepayments	10579		9117			1462	op			-1462	0	1462				
Tax Refund Due	2095		158			1937	op			-1937	0	1937				
Stock	7910		8242		332		op			332	332	0				
Term Debtors	353		380		27		op			27	27	0				
Other Investments	165		348		183		inv			183			183	0		
Land	1294		1140			154	inv			-154			0	154		
Buildings	9516		13325		3809		inv			3809			3809	0		
Land Dvlpmt	3473		3575		102		inv			102			102	0		
Major Revenue Earning Assets	33422		33172			250	inv	5224		4974			5224	250		
Other Plant & Fittings	3581		4442		861		inv			861			861	0		
Leasehold Interest in Equipment	82					82	inv			-82			0	82		
Work in Progress	1761		738			1023	inv			-1023			0	1023		
BNZ		4252		3940	312					312						
Creditors		20556		15966	4590		op			4590	4590	0				
Shot Term Borrowings		1300			1300		fin			1300					1300	0
Loan repayments due this year		4161		1785	2376		fin			2376					2376	0
Provision for Dividend		232		318		86	nc	86		0						
Provision for Tax		5195		3159	2036		nc		2036	0						
Provision for Maintenance		1451		1802		351	nc	351		0						
Loans and Mortgages		18313		16700	1613		fin			1613					1613	0
Capitalised Lease Obligations		23			23		inv			23			23	0		
Minority Interest				142		142	inv		26	-168			0	168		
Paid Up Capital		10621		11279		658	fin	658		0					658	658
Capital Rsv - share premium		5282		6236		954	fin	954		0					954	954
Capital Rsv - revaluation					0		nc			0						
Capital Rsv - ordinary		8133		11476		3343	nc	3496	153	0						
Capital Rsv - capital replacement		1552		1552	0		nc			0						
Capital Rsv - Share Election		1680		1712		32	nc	1644	1612	0						
Capital Rsv - consol.		-851		-863	12		inv			12			12	0		
Retained Profits		12069		13105		1036	nc	1036		0						
	93969	93969	88309	88309												
P&L																
Gross Revenue						122907	op			-122907	0	122907				
Export Performance Incentive and Tourist Promotion Incentive						2548	op			-2548	0	2548				
Gain on Sale of Interest in Leases						338	inv	153		-185			153	338		
Group Restructuring						1810	inv			-1810			0	1810		
Insurance recovery on Coronet Peak						1162	inv			-1162			0	1162		
Operating Expenses					112627		op		1995	110632	112627	1995				
Depreciation					5224		nc		5224	0						
Interest					4211		op			4211	4211	0				
Directors Fees					60		op			60	60	0				
Directors Retirement Allowance							op			0	0	0				
Audit Fee					130		op			130	130	0				
Exhange Loss							nc			0						
Tax expense					2233	2256	op	2036		2013	4269	2256				
Proposed Dividend					2030		op		86	1944	2030	86				
Minority Interest						26	nc	26		0						
Transfer to Capital Reserves					3496		nc		3496	0						
NP trsf to Appn Acct					1036		nc		1036	0						
Operating Cashflow											128276	134774				
Investing Cashflow													10367	4987		
Financing Cashflow															6901	1612
Net					148623	148623					6498		-5380		-5289	
Change in Cash Position																
Cash On Hand					-4483											
BNZ					312											
					-4171					-4171						
									0							

Acquisition of greater shareholding in Alpine Guides Ltd not eliminated as immaterial ($228 000)

$'000	1988		1989		Change			Adjustments			Operating		Investing		Financing	
Cash	1059		456			603				-603						
Trade Debtors	12613		12693		80		op			80	80	0				
Other Receivables & Prepayments	9117		7204			1913	op			-1913	0	1913				
Tax Refund Due	158					158	op			-158	0	158				
Stock	8242		7673			569	op			-569	0	569				
Term Debtors	380		409		29		op			29	29	0				
Other Investments	348		280			68	inv			-68			0	68		
Land & Improvements	4715		4902		187		inv			187			187	0		
Buildings	13325		13954		629		inv			629			629	0		
Major Revenue Earning Assets	33172		29226			3946	inv	4727		781			4727	3946		
Other Plant & Fittings	4442		4806		364		inv		424	-60			364	424		
Leasehold Interest in Equipment						0	inv			0			0	0		
Work in Progress	738		493			245	inv			-245			0	245		
BNZ		3940		1177	2763					2763						
Creditors		15966		17646		1680	op			-1680	0	1680				
Loan repayments due this year		1785		157	1628		fin			1628					1628	0
Provision for Dividend		318		2101		1783	nc	1783		0						
Provision for Tax (current portion)				1135		1135	nc	1135		0						
Provision for Tax (non-current portion)		3159		3635		476	nc	476		0						
Provision for Maintenance		1802		2241		439	nc	439		0						
Loans and Mortgages		16700		7373	9327		fin			9327					9327	0
Capitalised Lease Obligations					0		inv			0			0	0		
Minority Interest		142		134	8		inv		8	0			8	8		
Paid Up Capital		11279		12607		1328	fin	1328		0					1328	1328
Capital Rsv - share premium		6236		6701		465	fin	465		0					465	465
Capital Rsv - revaluation					0		nc			0						
Capital Rsv - ordinary		10613		11469	-856		nc	856		0						
Capital Rsv - capital replacement		1552		1552	0		nc			0						
Capital Rsv - Share Election		1712		168	1544		nc	249	1793	0						
Capital Rsv - consol.						0	inv			0			0	0		
Retained Profits		13105		14000		895	nc	1751	856	0						
	88309	88309	82096	82096												
P&L																
Gross Revenue						124109	op			-124109	0	124109				
Export Performance and																
Tourist Promotion Incentive						1632	op			-1632	0	1632				
Gain on Sale of Fleet and Plant						628	inv			-628			0	628		
Group Restructuring					46		inv			46			46	0		
Insurance recovery on Coronet Peak						418	inv			-418			0	418		
Operating Expenses					112504		op		439	112065	112504	439				
Depreciation					4727		nc		4727	0						
Interest					2512		op	424		2936	2936	0				
Directors Fees					60		op			60	60	0				
Audit Fee					130		op			130	130	0				
Exhange Loss							nc			0						
Tax expense					2796		op		1611	1185	2796	1611				
Proposed Dividend					2269		op		2032	237	2269	2032				
Minority Interest						8	nc	8		0						
Transfer to Capital Reserves							nc			0						
NP trsf to Appn Acct					1751		nc		1751	0						
Operating Cashflow											120804	134143				
Investing Cashflow													5961	5737		
Financing Cashflow															12748	1793
Net					142498	142498					13339		-224		-10955	
Change in Cash Position																
Cash On Hand					-603											
BNZ					2763											
					2160					2160						

Transfer from retained earnings to Share Election Reserve set against Proposed Dividend, as reduces cash outflow.
Interest adjusted $424 000 to reflect published Statement of Cash Flows. Assumed difference had been capitalised.

$'000	1989		1990		Change			Adjustments			Operating		Investing		Financing	
Cash	456		8850		8394					8394						
Trade Debtors	12693		15767		3074		op			3074	3074	0				
Other Receivables & Prepayments	7204					7204	op			-7204	0	7204				
Stock	7673		8127		454		op			454	454	0				
Term Debtors	409		504		95		op			95	95	0				
Other Investments	280		310		30		inv			30			30	0		
Land & Improvements	4902		5042		140		inv			140			140	0		
Buildings	13954		13553			401	inv			-401			0	401		
Major Revenue Earning Assets	29226		27116			2110	inv	4250		2140			4250	2110		
Other Plant & Fittings	4806		4597			209	inv		3	-212			0	212		
Work in Progress	493		862		369		inv			369			369	0		
BNZ		1177			1177					1177						
Creditors		17646		21304		3658	op			-3658	0	3658				
Loan repayments due this year		157		3058		2901	fin			-2901					0	2901
Provision for Dividend		2101		2135		34	nc	34		0						
Provision for Tax (current portion)		1135		576	559		nc		559	0						
Provision for Tax (non-current portion)		3635		3650	-15		nc	15		0						
Provision for Maintenance		2241		2334		93	nc	93		0						
Loans and Mortgages		7373		1816	5557		fin			5557					5557	0
Minority Interest		134		150		16	inv	16		0			16	16		
Paid Up Capital		12607		12664		57	fin	57		0					57	57
Capital Rsv - share premium		6701		6790		89	fin	89		0					89	89
Capital Rsv - ordinary		11469		11656		187	nc	187		0						
Capital Rsv - capital replacement		1552		1552	0		nc			0						
Capital Rsv - Share Election		168		144	24		nc	122	146	0						
Retained Profits		14000		16899		2899	nc	3021	122	0						
	82096	82096	84728	84728												
P&L																
Gross Revenue						133266	op			-133266	0	133266				
Export Performance Incentive and																
Tourist Promotion Incentive						1511	op			-1511	0	1511				
Gain on Sale of Fleet and Plant						257	inv			-257			0	257		
Operating Expenses					121043		op		93	120950	121043	93				
Depreciation					4250		nc		4250	0						
Interest					899		op	3		902	902	0				
Directors Fees					75		op			75	75	0				
Audit Fee					133		op			133	133	0				
Tax expense					3253		op	544		3797	3797	0				
Proposed Dividend					2279		op		156	2123	2279	156				
Minority Interest					16		nc		16	0						
Transfer to Capital Reserves					187		nc		187	0						
NP trsf to Appn Acct					2899		nc		2899	0						
Operating Cashflow											131852	145888				
Investing Cashflow													4805	2996		
Financing Cashflow															5703	3047
Net					154892	154892					14036		-1809		-2656	
Change in Cash Position																
Cash On Hand					8394											
BNZ					1177											
					9571					9571						
									0							

Transfer from retained earnings to Share Election Reserve set against Proposed Dividend, as reduces cash outflow.
Interest adjusted $3 000 to reflect published Statement of Cash Flows. Assumed difference had been capitalised.

Appendix 2

Copy of the 1935 Annual Report

12/17

Confidential

The Mount Cook Tourist Company of N. Z. Limited, Timaru.

AUTHORISED CAPTIAL	... ...	£85,000 0 0
SUBSCRIBED ,,	... ...	£80,310 0 0
PAID-UP ,,	... ...	£78,413 18 9

Directors:

R. L. WIGLEY, Managing Director.

F. V. LYSAGHT, D. STANDAGE, C. D. ELMS, H. COXHEAD.

Secretary:

H. COXHEAD.

Bankers:

THE BANK OF NEW ZEALAND.

Solicitors:

PERRY, FINCH & HUDSON, Timaru.

FINDLAY, HOGGARD, COUSINS, & WRIGHT, Wellington.

L. J. STEVENS, Auckland.

Auditors:

LEGGOTT & ALLPORT, Timaru.

The Mount Cook Tourist Company of N.Z., Limited.

DIRECTORS' REPORT

For the Year Ended 31st March, 1935.

YOUR Directors in submitting the twenty-third Annual Report and Balance Sheet for the year ended 31st March, 1935, are pleased to report a continued improvement in the Company's trading position.

The trading profit for the twelve months is £2,102 3s. 5d., as against a trading loss for the previous year of £880 17s. 11d., thus the trading figures for this period are better by £2,938 1s. 4d.—a substantial improvement when it is considered that New Zealand's tourist business is still far below normal. An increase in revenue amounting to £6,606 4s. 6d. has been obtained with a corresponding increase in expenditure of only £3,623 3s. 2d.

Provision has been made for depreciation to the amount of £4,144 6s. 1d.

The balance of the Profit and Loss Account is, therefore, £2,112 2s. 8d., as against £4,822 17s 11d. for the previous year. This loss has been transferred to the Appropriation Account which now stands at a debit of £40,000 16s. 4d.

With a continuance of the steady improvement referred to above your Directors intend, during the ensuing year, to submit proposals for reducing the capital of the Company to wipe out the accumulated losses.

To cope with the increased traffic the car plant was increased and improved by the purchase of three new chassis to which were fitted the most modern type of bodies. Several small cars were also purchased.

A new Service giving a one day connection between Studholme Junction and Queenstown was commenced in November last. This Service proved very successful and, in the future, will be an important link in the Company's motor services.

The motor service operating between Arrowtown-Queenstown was offered for sale and to further consolidate the Company's position in the South your Directors deemed it advisable to purchase this service.

The future of New Zealand's tourist business has a healthier outlook than for many years. In April, 1935, the Government appointed a Tourist Advisory Board to confer with the Government Tourist Department with a view to re-organising the tourist industry. Mr. Wigley is a member of the Board as the South Island representative. The Board has already formulated a progressive policy for developing the traffic on a sound basis.

The retiring Director, Mr. C. D. Elms, is eligible and offers himself for re-election.

Messrs. Leggott & Allport, who were Auditors for the year, again offer themselves for re-election

For the Directors,

R. L. WIGLEY.

Managing Director.

THE MOUNT COOK TOURIST COMPANY OF N. Z., LIMITED.

BALANCE SHEET, as at 31st March, 1935.

LIABILITIES.	£ s. d.	£ s. d.
Nominal Capital	85,000 0 0	
Less Unallotted Shares ...	4,690 0 0	
	80,310 0 0	
Less Uncalled Capital ...	750 0 0	
	79,560 0 0	
Less Calls in Arrear ...	1,146 1 3	
Paid up Capital ...		78,413 18 9
Forfeited Shares Reserve ...		60 0 0
Debenture Loan and Interest Accrued *(Secured by a charge over the Assets of the Company).*		20,152 19 0
Loans and Mortgages *(Secured)*		28,259 8 0
Sundry Creditors		10,594 1 11
Bank of New Zealand ...		930 16 3
		£138,411 3 11

ASSETS	£ s. d.
Buildings & Freehold (at Cost less Depreciation on Buildings)	38,446 18 11
Plant (at Cost less Depreciation)	37,970 17 3
Stock on Hand (at Valuation)	3,490 15 7
Investments and Shares (at Cost)	1,175 0 6
Sundry Debtors	3,194 7 0
Advances to Directors and Officers	369 14 6
Post Office Savings Bank	252 19 1
Cash on Hand	309 14 9
Goodwill	13,000 0 0
Goodwill Arrowtown Service	200 0 0
Appropriation Account	40,000 16 4
	£138,411 3 11

PROFIT AND LOSS ACCOUNT for Twelve Months ended 31st March, 1935.

	£ s. d.
To Advertising, Bad Debts, Bureaux & Telephones, Commission, General Expenses, Stationery, Travelling Expenses	5,407 17 8
„ Service Car Repairs & Maintenance, Rent, Insurance, Interest ...	9,531 13 5
„ Electrical Repairs & Maintenance, Lighting, Heating, Coal, Provisions	5,334 19 6
„ Drivers' Meals, Repairs, Salaries, Wages	8,162 17 3
„ Balance: Trading Profit for year ended 31st March, 1935.	2,102 3 5
	£30,539 11 3
To Depreciation	4,144 6 1
„ Shares White Star Association, written off	70 0 0
	£4,214 6 1

	£ s. d.
By Gross Profits and Takings, Service Cars, Hermitage and White Star Hotel, ...	30,539 11 3
	£30,539 11 3
By Trading Profit	2,102 3 5
„ Nett Loss transferred to Appropriation Account	2,112 2 8
	£4,214 6 1

APPROPRIATION ACCOUNT.

	£ s. d.
To Balance from last year	37,888 13 8
„ Profit and Loss Account	2,112 2 8
	£40,000 16 4

	£ s. d.
By Balance	40,000 16 4
	£40,000 16 4

This is a true copy of balance sheet for 1934/5

[illegible] Director 2/12/36

R. L. WIGLEY, Managing Director.
C. D. ELMS, Director.
H. COXHEAD, Secretary.

Report of the Auditors to the Members of The Mount Cook Tourist Company of N.Z. Limited:—

We report that we have audited the books and accounts of the Company for the year ended 31st March, 1935. In our opinion the above balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company. We have obtained all the information and explanations we have required. The values of the Stock at Timaru, the Hermitage and Queenstown have been accepted as certified to by the respective Managers.

Timaru, 28th August, 1935.

LEGGOTT & ALLPORT, Public Accountants, Auditors.

CONFIDENTIAL

The

Mount Cook Tourist Company of N. Z., Limited.

NOTICE is hereby given that the Twenty-third Ordinary General Meeting of the Shareholders will be held at the Registered Office of the Company, Stafford Street, Timaru, on . .

TUESDAY, 24th SEPTEMBER, 1935.

at 2 p.m.

BUSINESS:

1. To receive the Balance Sheet and Auditors' Report for the past year.
2. To Receive the Directors' Report.
3. To Elect One Director.
4. To Appoint an Auditor for the coming year and to fix his renumeration.
5. General.

H. COXHEAD,
Secretary.

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Appendix 3

Interviewees

<u>Mrs HAP (Prue) Aubrey</u>

Interviewed in Christchurch, March 2000.

<u>Mr Ian Brodie</u>

Group interview in Timaru, July 2000.

<u>Mr Philip Cochrane</u>

Interviewed in Christchurch, February 2001.

<u>Mr Don Middleton</u>

Interviewed in Wanaka, February 2000.

<u>Mrs Sally Middleton</u>

Interviewed in Wanaka, February 2000.

<u>Mr Philip Phillips</u>

Interviewed in Queenstown, August 2001.

<u>Mr Struan Robertson</u>

Interviewed in Christchurch, March 2000.

<u>Mr Brian Wigley</u>

Interviewed by phone, February 2000.

<u>Mr Horton Hill</u>

Group interview in Timaru, July 2000.

<u>Mr Bill Adams</u>

Interviewed in Timaru, July 2000.

Mr Noel Dellow

Group interview in Timaru, July 2000.

Mr Geoff Williams

Interviewed in Christchurch, February 2000.